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Strategic Assessment 1995

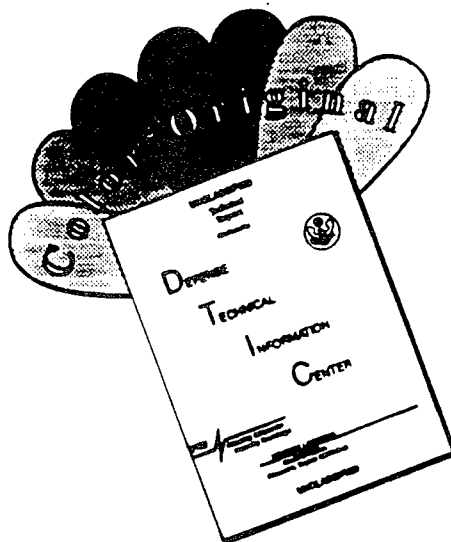
U.S. Security Challenges in Transition

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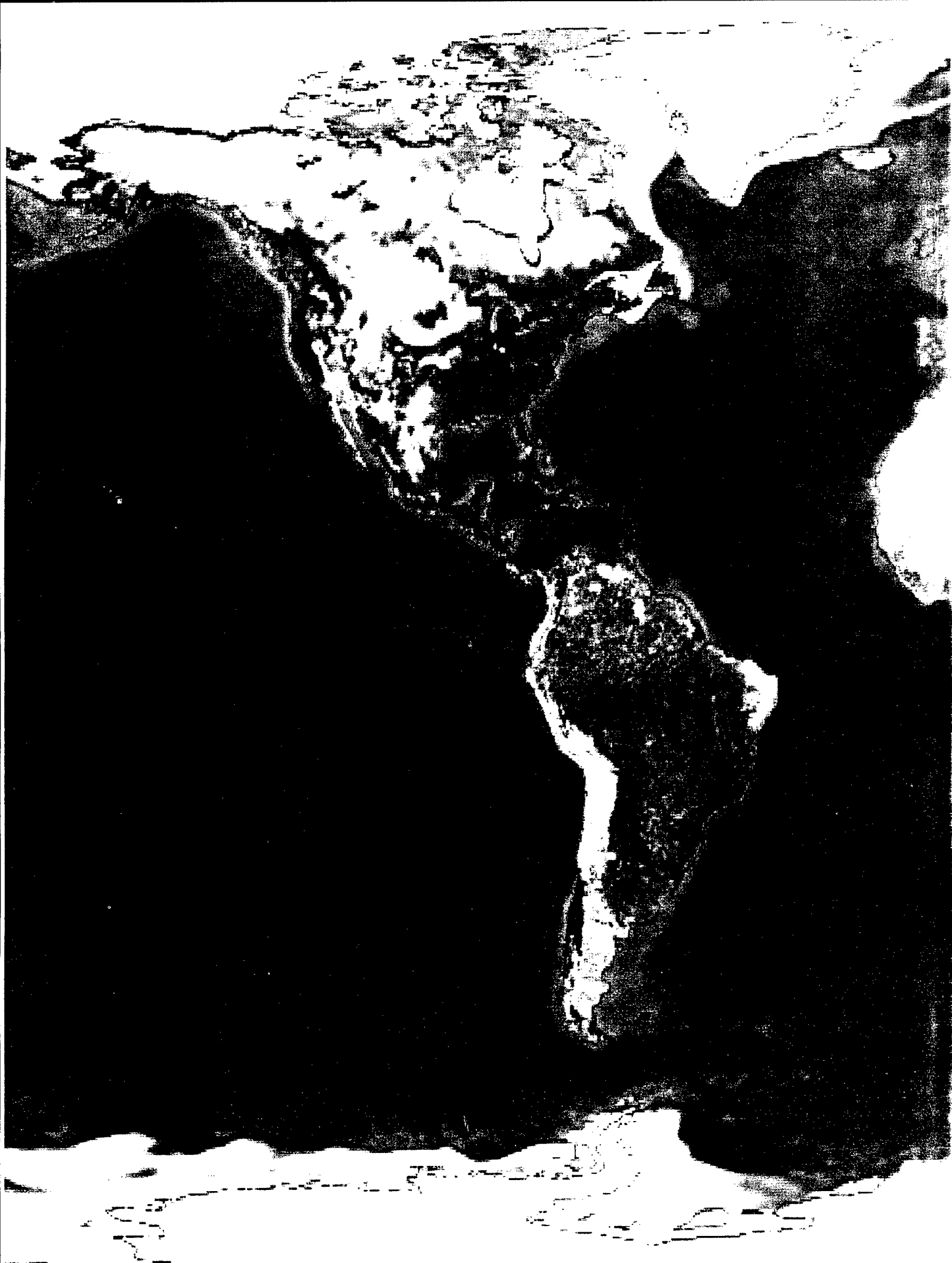
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U.S. Security Challenges in Transition

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Preface

By LIEUTENANT GENERAL ERVIN J. ROKKE, USAF
President, National Defense University

The United States faces a world full of instability and uncertainty—a world in which threats to U.S. interests can emerge rapidly, often from unexpected quarters. At the same time, the resources at the military's disposal are declining. If we hope to master the challenges that lie ahead for U.S. foreign and security policy, we must be at the very least well-informed about the shape that the security environment may take in the next few years.

This report represents an effort by the National Defense University to meet this demand for information about the evolving global environment in which Washington must make security policy decisions. It offers a comprehensive overview of this environment, focusing on specific trends, U.S. interests, and issues of concern to those who frame U.S. security policy. We hope that it will prove to be of interest not only to policy makers, but also to all readers with an interest in security policy.

The *Strategic Assessment 1995* applies the research expertise of the National Defense University's interdisciplinary research arm, the Institute for National Strategic Studies, to the task of defining and analyzing the emerging global milieu. Offering such analyses, in both general and more specialized areas of interest to the national security community, is one part of NDU's educational mission. That mission, as defined by the Joint Chiefs of Staff, is to educate senior military and government officials on issues related to national strategy, security policy, resources management, and warfare in the information age. It is our hope that this report is both authoritative and informative, and that its influence will extend beyond the narrowly-defined national security establishment.

We wish to thank all those who contributed to the success of this project, particularly the many analysts both inside and outside the military who wrote or reviewed chapters of the *Assessment*. We hope that this report will stimulate further thinking, discussion, and research on the issues treated in its pages among both policy makers and policy analysts.

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Foreword

By HANS BINNENDIJK, Editor-in-Chief

The U.S. government has been refining strategy to guide its national security policy in the post Cold War period. The Institute for National Strategic Studies (INSS) hopes that *Strategic Assessment 1995* will contribute to this effort by offering a thorough analysis of the evolving global security environment and its implications for U.S. policy and strategy.

The *Strategic Assessment* is aimed at policy makers, analysts, or informed members of the public who want a serious summary statement of the challenges facing the U.S. and the environment in which policy is being made. It does not provide novel interpretations or detailed specialized research. Specialists in one topic or region are unlikely to find much new material on that subject here, although we hope they will find a useful, succinct statement of the trends, U.S. interests, and key issues for U.S. policy in that area. For coherence, each chapter is divided into three subsections dealing with these trends, interests, and issues. Our focus is on the next few years, not the next few months or the next few decades.

Three factors distinguish this product from some other reviews of the world security environment. The first is its strong focus on U.S. interests. Rather than offering a neutral analysis of global trends, we have attempted to identify and analyze those trends that are of most concern to the United States, and to discuss the specific policy questions and debates that will face the U.S. government.

The second is its depth. Some other global overviews offer useful examinations of U.S. interests, but without the level of detail provided by our disaggregated analyses of trends and issues facing U.S. policy makers.

Third, although *Strategic Assessment 1995* strives to assess various options on key national security issues, its primary intent is not to advocate particular policies or approaches to policy. It is neither a statement nor a critique of U.S. government policy. Rather, it is the product of a group of scholars, most of whom work for a university funded by the U.S. government. We research questions of concern to the U.S. government, but we do not tailor our conclusions to fit any preconceptions about U.S. interests or government policy.

The responsibility for any errors in this document rests wholly with me as Editor-in-Chief and Patrick Clawson as Editor, who worked under the guidance of Stuart Johnson, the INSS Director of Research. The credit for any insights belongs to the able team at INSS that wrote the contributing papers. The authors of each chapter were:

Asia Pacific Ronald Montaperto; **Europe** James Morrison, Jeffrey Simon, Charles Barry; **Russia and Neighbors** James Brusstar; **Greater Middle East** Jed Snyder, Phebe Marr, Patrick Clawson; **Western Hemisphere** Jay Cope; **Sub-Saharan Africa** James Woods¹; **Oceans and the Law** Ann Hollick; **Weapons of Mass Destruction** Douglas Mang; **U.S. Force Structure** Stuart Johnson; **Arms Transfers and Export Controls** John Eisenhower; **Information Technologies** Martin Libicki; **Peace Operations** William Lewis; **Transnational Threats** Patrick Clawson; **Trends in the Sovereign State** Brian Sullivan; **Economics** Theodore Moran.¹

We would also like to express our thanks to the many military officers, civilian government officials, and outside analysts who gave us thoughtful comments on papers prepared as contributions to this report. Thanks also to James Smith, who edited the writing and managed the graphics, and the team at the Government Printing Office without whom this document could not have been produced so quickly.

¹ Mr. Woods is an independent consultant and a Senior Associate at the Center for Strategic and International Studies; Mr. Moran is at Georgetown University. We are grateful for their assistance in the preparation of this report.

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Strategic Assessment 1995 is neither a statement nor a critique of U.S. government policy. Opinion, conclusions, and recommendations, expressed or implied, are those of the authors. They do not necessarily reflect the views of the National Defense University, the Department of Defense, or any other U.S. government agency.

Strategic Assessment 1995 was written in mid-1994 and revised to include developments through November 30, 1994.

The Strategic Setting

In each chapter of this report, we examine a particular region or issue of interest to U.S. security. We identify in each case important trends, U.S. interests in priority order as we see them, and the key policy issues relating the two.¹ Our primary purpose is to explain the challenges and opportunities facing the United States, not necessarily to propose or evaluate specific policies.

In this overview, we set out our view of the emerging world order; important world trends from a security perspective; the principles regarding U.S. involvement abroad that we believe command broad support at home; the priorities that we think should govern national security decision-making; and the implications of this analysis for the U.S. military.

The Emerging World System

The Global Order Remains in Transition

There have been five world orders since the U.S. became an independent state. These have been defined by the character of relations among the great powers: the

Napoleonic period, the Congress of Vienna system, Germany's drive to become a leading power (concurrent with the division of Africa and Asia among colonial powers), the League of Nations era, and the Cold War (concurrent with the end of colonization). We are now entering a sixth period, one in which European concerns may not dominate the world as they have for the past several centuries.

Transitions between periods have typically lasted several years. The transition now under way is likely to take longer than most because there was no definitive, cataclysmic end to the old order: the Soviet Union disintegrated on its own, rather than being defeated in war and occupied. The emerging order may not fully reveal itself until after the end of the decade. The fluid character of that order is a major reason why recent administrations in Washington have had such difficulties articulating a U.S. policy vision.

The final shape of the emerging world order will depend crucially upon such factors as:

- The degree of U.S. involvement in world affairs;
- The progress of European integration, both within the European Union and through the expansion of Western institutions to include all of Europe;

- Developments inside Russia and in its relations with neighboring states;
- The extent to which Japan assumes new international obligations;
- The ability of China to hold together and remain on a peaceful path to prosperity; and
- The control of nuclear proliferation.

The World is Dividing into Market Democracies, Transitional States, and Troubled States

At the height of the Cold War, there was a generally industrialized and free First World, a communist Second World, and an underdeveloped, largely non-aligned Third World. By the late 1980s, these divisions were beginning to erode, as some communist lands began to develop freer institutions and some underdeveloped nations evolved into industrial democracies.

The emerging order also involves a division of the world into three parts. Those parts, however, differ from the three Cold War worlds in important ways. Ideology is no longer the basis of the division. The non-aligned states are no longer an important category. Some countries of the Third World have become prosperous market democracies, such as South Korea and Chile.

The emerging lines of division appear to be the following:

- *The market democracies* comprise a growing community of free and prosperous—or at least rapidly developing—nations that is expanding from North America, Japan, and much of Europe to include large parts of Latin America, the newly industrialized nations of East Asia, and Central Europe (Poland, the Czech Republic, Hungary).

- *The transitional states* include ex-authoritarian and ex-communist lands that are working toward democracy and free markets, as well as countries such as India that seem to be making progress toward freedom and prosperity from a low baseline. Many states in this category run the risk of backsliding into political chaos and economic decline. It is not clear if this will be a purely transitional category, or if some of these states will establish enduring systems marked by authoritarian politics, heavily politicized economies, and rela-

tively low levels of prosperity. It is clear that the future of the transitional states will be one of the most important determinants of the new system.

- *The troubled states*, primarily located in Africa, the Greater Middle East, and parts of Asia, are falling behind the rest of the globe economically, politically, and ecologically. Many of these states are plagued with rampant ethnic and religious extremism. All have inadequate quality of governance; some are “failed states” that are slipping into anarchy. A few—particularly Cuba and North Korea—are decaying die-hard communist dictatorships. Some are, or threaten to become, rogue states.

Some very important countries combine characteristics of two or even three groups. For instance, China can be considered a transitional country; economically, it is evolving in the direction of the market democracies. On the other hand, its politics still resemble those of a troubled state, and many analysts fear that political disarray after the death of Deng Xiaoping could push much of China back into the troubled camp. Likewise, India, which appears to be in transition economically, incorporates elements of both the market democracies (parliamentary democracy) and the troubled states (explosive ethnic and religious hatreds).

Despite the indefinite character of the dividing lines, the general trend is for a growing gap between market democracies and troubled states. The gap shows up in differences in economic growth, political stability, and adherence to international human rights standards.

Some See the World Splitting Along Lines of Economic/Political Blocs, Spheres of Influence, or Civilizations

Three other lines of division are emphasized by national security thinkers. In what we see as decreasing order of impact, they are:

- *Economic/political blocs.* Regional blocs based on trade and political cooperation seem to be emerging in Europe, the American hemisphere, East Asia, and to

some degree in the Commonwealth of Independent States (CIS). In the early 1990s, there was a burst of enthusiasm for economic integration and political cooperation in both Europe and the Americas, resulting in the Maastricht Treaty and two American trade organizations (the North American Free Trade Agreement [NAFTA] and Mercosur), as well as tentative steps in the Pacific (with the Asia-Pacific Economic Cooperation [APEC] summits). Russia is strengthening its economic and political ties with the sometimes reluctant states of the CIS.

The implications for the world order of such blocs, were they to be consolidated, depend upon the extent to which they are open to trade and political cooperation with states outside of their region. Open blocs can contribute to reducing global trade barriers and improving world political cooperation—for example, facilitating international negotiations by reducing the number of players.

The danger of tensions, possibly escalating into conflict, is greatest in the case of blocs that jealously guard themselves from outside influence and that see world trade and politics as zero-sum games. With the possible exception of the CIS, we do not see such closed blocs emerging in the next few years. Therefore, at this time we do not judge the development of economic and political blocs to be as important for understanding national security interests as bilateral relationships and the split among market democracies, transitional states, and troubled states.

Spheres of influence around a great power. Closely related to the emergence of economic and political blocs has been the concentration of military attention by the great powers in their own neighborhoods and areas of historic and strategic interest. Peacekeeping operations provide a good illustration of this trend. For example, U.N. Security Council debates on Rwanda, Haiti, and Georgia in mid-1994 made clear that the major powers are beginning to accept that each should take responsibility for its areas of historic and strategic interest, with France, the U.S. and Russia taking the lead. Similarly, Japan played a major role in Cambodian peacekeeping.

As with economic blocs, the implications of this development depend upon how open or closed the system is. If a great power accepts responsibility for acting in the common interest of the world community, then its involvement in troubled states within its area of historic and strategic interest can help those states develop more normal relations with all countries, including the other great powers. But if a great power seeks to exclude the influence of other powers and to compel its weaker neighbors to act against their own interests, then neo-empires could develop, and great powers could clash over the boundaries between their exclusive spheres.

The U.S. public has historically not accepted a national security policy based simply on great power geostrategic maneuverings. U.S. policy has been most successful and acceptable when it is based on both U.S. values and interests. Although the U.S. must be watchful for the development of spheres of influence, U.S. security policy for the present is more likely to be linked to values and broader interests than to spheres of influence politics per se.

Civilization. Centuries-old divisions among cultures and religions seem to have retained more of their political importance than many would have suspected a few years ago. The thousand-year-old fault line between Catholicism and Orthodoxy very nearly approximates the line of conflict between the warring parties in the former Yugoslavia and, more generally, the line of division between the East European states that are doing well economically and politically and those that are floundering. In many regions where the Islamic world runs up against other civilizations and cultures—northern India, the Levant, the Balkans, North Africa, the Caucasus—violent conflict has erupted.

Cultural and religious factors seem to primarily exacerbate and lend emotional depth to strife caused by concrete historical grievances, political disputes, socio-economic imbalances, and geostrategic factors. In many instances, these factors are deliberately exploited by elites to bolster their own ambitions. Furthermore, some of the deepest cultural-political splits are within civilizations. Witness the vigorous debate at the September 1994 Cairo U.N. Interna-

tional Conference on Population and Development: the issues of abortion and reproductive rights are at least as divisive within civilizations and individual countries as they are between civilizations.

In addition, civilizations generally lack central decision-making bodies, and are therefore unlikely to displace states as the key actors in international strategic matters. A state's appeals for the defense of the civilization to which it belongs can be a powerful instrument for mobilizing support at home and abroad, but the key actor remains the state and its politics, not the civilization. We are therefore skeptical about using civilization divisions as a primary basis for understanding the emerging world order.

Moreover, to emphasize differences among civilizations could create the impression that those with different cultural and historical backgrounds are enemies, or at least cannot be our allies. That could become a self-fulfilling prophecy, thereby creating new enemies or losing current allies among countries culturally profoundly different from the U.S. but now friendly to it.

The Most Likely Conflicts in the Emerging World System are the Least Dangerous to the U.S.

Within this system of market democracies, transitional states, and troubled states, three main types of conflict that correspond loosely to the three groups of states can be distinguished:

- *Conflict among the major powers.* The great powers—the U.S., Japan, China, Russia, and the major states of Western Europe—are all cooperating, not preparing for conflict with each other. Almost unprecedented in history, this cooperation is a powerful force for peace so long as it lasts. Yet if the powers were to consolidate around themselves political and economic blocs that were exclusive rather than open, tensions could emerge at the edges of the blocs, especially between Russia and Western Europe. Of the three types of conflict discussed here, a clash among great powers (directly or through proxies) would be the greatest threat to the U.S., but it is the least likely scenario.

- *Conflict among regional powers,* mainly involving transitional or troubled states. Conflicts not involving major powers will occur periodically, often as the result of aggressive moves by states seeking regional hegemony. The proliferation of weapons of mass destruction, particularly nuclear weapons, could increase the propensity of aggressive states to threaten their neighbors and increase the risks for the U.S.

- *Conflict involving troubled states,* nearly always starting out as conflict within a country. This type of conflict is likely to be most prevalent but least threatening to U.S. interests. The great powers are often willing to provide humanitarian and political support for troubled states. They are increasingly reluctant to intervene militarily, however, unless a particular crisis threatens to escalate to engulf other states, create a humanitarian disaster, or otherwise affect great power interests.

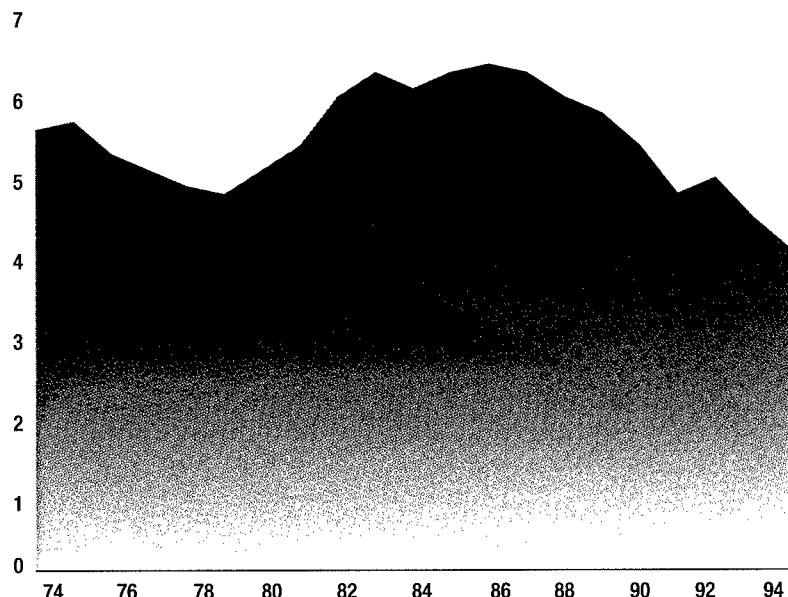
Defining Trends

The new world system is being shaped by a number of trends rooted in technological change and the diffusion of liberal values. Eight of the most important economic, political, and military trends are the following:

Proliferation is Increasingly a Current Rather than a Future Concern

Nuclear weapons programs undertaken by rogue states have proven difficult to stop, despite the Nuclear Non-Proliferation Treaty. Acquisition of nuclear weapons by a few of these states could destabilize whole regions and severely complicate U.S. power projection operations. The problem is likely to get worse on the supply side. More countries are developing the industrial base to produce nuclear weapons (by now a fifty-year-old technology), and continuing economic problems in the former Soviet Union are making criminal diversion of its nuclear material and know-how more likely. Access to chemical and biological weapons may prove even easier.

Reducing the demand for weapons of mass destruction requires constructing a world order in which such weapons confer

DOD Outlays as Percent of GDP, FY 1974–94

SOURCE: DOD Budget Estimates, 1995

little military or political advantage to proliferators. One element of such an approach is to reduce the regional tensions that lead states to worry about their neighbors' intentions. Another part of the process is to build an international consensus against proliferators and in favor of reducing existing nuclear stocks.

Arms control efforts have focused on countering the proliferation of weapons of mass destruction. U.S. goals in this area include:

- Securing and dismantling nuclear stockpiles in the former Soviet republics of Ukraine, Belarus, and Kazakhstan;
- Freezing existing programs as a first step towards creating the conditions for rolling back nuclear programs (South Asia, North Korea);
- Using a combination of denial of technology (Iran and Libya) and highly intrusive inspection regimes (Iraq) to deny nuclear capabilities to rogue states;
- Managing nuclear proliferation where it has already taken place (South Asia); and
- Developing counterproliferation measures against recalcitrants, including the ability to defend against weapons of mass destruction.

The proliferation agenda also includes eliminating chemical and biological weapons, plus strengthening agreements on control of missile technology.

The Domestic Focus is Limiting National Security Capabilities

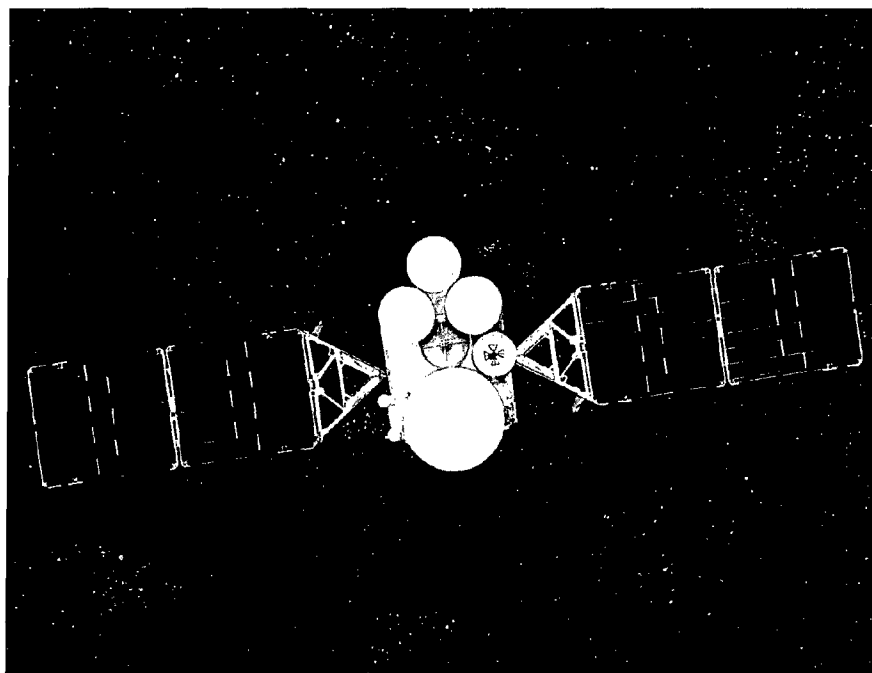
The end of the Cold War and the peace among the major powers has made foreign policy seem less pressing to peoples in many nations. The public is more preoccupied by domestic travails, in part due to the perception that social problems are worsening and in part due to the lower economic growth rates of the last twenty years.

The focus on domestic policy in the U.S. draws support from across the political spectrum. The political center generally believes that the United States must reinforce its economy before it asserts itself internationally. The left is sympathetic to the argument that military and foreign expenditures are a drain on resources that could be better used at home (the theory of "imperial overstretch" as the cause for national decline). The right tends to believe that the triumph of democratic and free market ideals removes the rationale for active intervention abroad (building upon the thesis of the "end of history"). As one pundit noted, the left does not want to inflict the U.S. on the world, and the right does not want to inflict the world on the U.S.

As a result of this emphasis on domestic problems and the realization that the greatest danger to world peace—the Soviet threat—is gone, public opinion in many countries now insists on lower defense spending. In the U.S., Northern and Eastern Europe, and Russia, force sizes are declining, and weapons procurement is falling even faster. U.S. cuts are hitting the assets that allowed the United States to maintain a global presence: foreign base infrastructure, the intelligence services, military aid, and military-to-military cooperation programs.

The trend towards declining forces is by no means universal. Forces are being maintained in areas where perceived threats have not waned, for example in a southern Europe worried about the situations to the south and east of the Mediterranean. Military spending is increasing in Southeast Asia, as larger economies make generous defense budgets easier to support.

The priority given in most industrial countries to domestic policy translates into



Defense Satellite Communications System (DSCS III).

a reluctance to deploy forces. Particularly unwelcome are sustained commitments, as distinct from emergency responses. At the same time, emergency operations are impeded by increasing public sensitivity to casualties, especially those incurred during military operations that are not considered vital to national interests.

Information Technology Is Displacing Heavy Industry as the Source of National Power

Mastery of information technology is surpassing mastery of heavy industry as the primary source of national power, whether exercised through commercial or military channels. The industries growing most rapidly are in the computer and communications fields, and they continue to introduce new technologies at breathtaking rates.

The extension of this trend to the battlefield suggests that information-based warfare will become more widespread within a decade or two. Defense requirements will demand more investment in information systems and less in industrial-era configurations of tanks, planes, and ships. The nature and conduct of information warfare is becoming a subject of intense interest to defense analysts.

International Organizations Are Assuming an Important Legitimizing Role, Despite Their Limited Capabilities

Partly because some nation-states are failing and partly because world public opinion shares more and more values in common, international organizations are becoming more accepted, even when they may limit national sovereignty in various domains.

The increasing weight given to international organizations is felt most strongly in the desire by the market democracies to seek authorization for the use of force. Although the Cold War legitimized the Free World alliance and rendered the U.N. system largely impotent, the passing of the Cold War has brought new life to the U.N.'s role in legitimizing the use of coercive force.

However, the first blush of enthusiasm for multilateral action has faded in light of the experience of the early 1990s, when international organizations proved less than effective in orchestrating responses to humanitarian disasters and civil wars. The Clinton administration's attitude underwent a sea change from its early embrace of assertive multilateralism to the cautious approach of the spring 1994 Presidential Decision Directive (PDD) 25. Multilateral action has proven difficult because of differing political objectives among states and organizations; problems in making decisions in a timely manner; the limited military capabilities of multilateral organizations and *ad hoc* coalitions; public sensitivity to casualties from multilateral operations; and the high financial costs of operating in a multilateral fashion.

The entire world community need not become involved with every crisis. Regional organizations are playing the leading role in resolving some local problems that affect members most directly (although such organizations may sometimes lack the resources and cohesion to intervene effectively, thus requiring outside assistance). The U.N. has delegated its role to the powers most interested in some partic-

ular problems, in what has been called "spheres of influence multilateralism."

Recent events have shown that multinational organizations such as the U.N. Secretariat, International Atomic Energy Agency (IAEA), International Monetary Fund (IMF), and General Agreement on Tariffs and Trade (GATT) have their own institutional interests. These interests are not always congruent with the goals of U.S. foreign policy. No matter how much influence the U.S. may have over an organization, that organization will always have its own procedures, its own staff, and its own agenda. Thus, U.S. respect for international organizations does not necessarily translate into automatic acquiescence in their judgments.

Globalization is Creating Transnational Threats as Well as Benefits

The pulse of the planet has quickened, and with it the pace of change in human events. Technological advances and open societies are allowing unprecedented free movement of goods, people, and ideas. These trends are likely to continue as communication costs fall and the new World Trade Organization facilitates the dismantling of obstacles to trade. Trade, finance,

and communications are all becoming global. Computers, faxes, fiber optic cables, and satellites speed the flow of information across frontiers, as illustrated by the explosive growth of the Internet.

Most of these flows across frontiers are beneficial. Not only is prosperity enhanced, but so is freedom, as governments lose their ability to control the exchange of ideas. That brings the concepts of human rights and democratic government to the furthest reaches of the globe. Some of what flows across borders is, however, pernicious. For example, terrorists can now instantaneously share technical information with their comrades far away. Both pro-democracy activists and promoters of ethnic cleansing can more easily disseminate their views to the public.

Transnational threats take various forms. One of the most worrying is the internationalization of crime. Organized criminal groups and international terrorism could endanger governments. Smuggling of plutonium and enriched uranium could become a serious threat to national security as the sophistication of criminal enterprises increases and barriers to obtaining and transporting these deadly metals fall.

Another type of transnational threat is the international diffusion of health and environmental problems. With increasing

U.S. soldiers in U.N. operation in the former Yugoslavia.



travel and migration, epidemics like AIDS have become global rather than local scourges. As the planet's resources are used more intensely, environmental problems spill over from one nation to another, and dangers to the global commons multiply. All nations are affected by global warming, loss of endangered species, and the depletion of the ozone layer.

A third type of transnational threat is disruptive migration. Many industrial societies feel that immigration is already at intolerable levels. Deteriorating conditions in troubled states and increased access to information about the industrialized world will stimulate more migration. Mass exoduses resulting from political strife or natural disasters will sometimes require mobilizing the military for emergency relief. Large numbers of refugees could overwhelm attempts to control their movements, thus requiring military force to contain them.

Democracy is Becoming the Global Ideal, if Not the Global Norm

The world has been experiencing a wave of democratization since the late 1970s. In Latin America and Central Europe, democracy has become the norm, not the exception. Even in Asia and Africa, where many governments remain autocratic in practice, most feel compelled to present themselves as either democratic or in transition to democracy. The overthrow of democratically elected governments has become an unacceptable practice in the eyes of the world community, bringing opprobrium or worse to the perpetrators.

But elections are no guarantee that freedom will prevail. In several transitional states, neo-communists have made a comeback at the ballot box, in reaction to the slow progress made by reformers in improving the lives of ordinary people. In some places elections have been held prematurely, before the emergence of a free press and other basic institutions of civil society, resulting in the fear that some of these nations will experience "one person, one vote, one time." In other nations, espe-

cially India and the Muslim lands, religious extremists with considerable popular appeal continue to reject governance based on democratic principles in favor of governance based on the divine will as they interpret it.

The Sovereign State Faces Fragmentation Challenges

The sovereign state is losing its unique role as the fundamental unit of organization within the world system. As globalization proceeds, governments lose some measure of control and are less able to deliver solutions to problems felt by their citizens. Frustrated by the inability of governments to help, people may turn away from the sovereign state and embrace smaller, more effective groups. Thus, fragmentation pressures are often related to the decreasing ability of the state to respond to its citizens' needs.

Fragmentation pressures take a variety of forms. One is a wave of lawlessness. Another is extremist ideologies, like those espoused by radical and intolerant fundamentalist religious groups, which challenge social harmony. The decline in national cohesion also affects the caliber of public servants and politicians: the quality of governance deteriorates, with corruption growing at the expense of disinterested public service.

Sovereign states face no greater threat than fissiparous minorities, whose desire to break away from a larger state is sometimes justified by their treatment at the hands of intolerant majorities. The ideal of national self-determination is increasingly invoked to validate the fragmentation of multiethnic states—sometimes into units that more closely approximate legitimate nation-states, but sometimes into mono-ethnic mini-states determined to exclude minorities from political life.

Democracy is not necessarily a panacea for intra-state ethnic tensions. It is difficult to reconcile the principles of majority rule and national self-determination when a cohesive minority wants to opt out of a larger state. In fact, in the absence of guarantees of liberty against the tyranny of the majority, democracy can exacerbate ethnic problems. When people vote systematically along ethnic lines, those elected

often pursue the interests of their narrow group rather than compromising when the common good calls for it.

The sad results of such intra-state tensions can be seen in many places. Violent nationalist, ethnic, and ethno-religious conflicts are becoming more common and more bloody, in Africa (Angola, Burundi, Nigeria, the Sudan, Rwanda), the Middle East (the Kurds), South Asia (Sri Lanka, India), the former Soviet Union (Georgia, Azerbaijan, Moldova, Tajikistan), and even on the doorstep of the European Union (the former Yugoslavia).

Governments are Giving More Weight to Economic Interests Relative to Traditional National Security Interests

Concerns about the economic foundations of national power are increasingly voiced in the industrial nations. East Asian states take satisfaction in the rapid growth that is propelling them into the forefront, while Europe and North America are concerned about growth rates that have been much lower in the two decades since the oil shock of 1973 than in the preceding post-war decades.

Concerns about prosperity and employment are playing a greater role in shaping international affairs and U.S. policy. The U.S. is increasingly prone to place economic concerns at least on par with, if not ahead of, military and diplomatic con-

cerns. It is likely to put concerns about the budget deficit, low levels of national savings, and investment needs ahead of worries about the long-term impact of current reductions in military expenditures.

A broad consensus has emerged that open economies perform best. Despite opposition from protectionists, the Clinton administration has made progress towards an open multilateral economy. It secured Congressional ratification for NAFTA and for replacing GATT with a World Trade Organization. It has also elevated the profile of APEC, institutionalizing annual head-of-state summits.

Possible Principles For U.S. Involvement

President Clinton, in his July 1994 *National Security Strategy of Engagement and Enlargement*, stated:

Our national security strategy is based on enlarging the community of market democracies while deterring and containing a range of threats to our nation, our allies, and our interests.

The *Strategy* stressed three primary objectives to that end: enhancing security, promoting prosperity at home, and promoting democracy.

Our analysis of world trends and U.S. interests tends to confirm the importance of these goals. We would explain the goals of engagement and enlargement as follows:

Engaging Selectively

It is no longer necessary, as it was during the Cold War, for the U.S. to dedicate its resources to achieving one overriding goal, and the country is free to turn more of its attention to secondary goals. But not all of those goals are worth pursuing simultaneously, given their costs and the competing domestic demands for resources. A good rule of thumb is to engage only in those cases that enable the United States simultaneously to promote its national interests and its principles.

However, defining those principles for which the U.S. will act is no easy matter, as recent administrations have found; the old Cold War standards are no longer so clear-cut. For example, one quandary is how to reconcile potentially conflicting principles such as:

Guerillas in Nagorno-Karabakh.



Source: TASS

"We should make sure that what we declare can be achieved, and then it should be defended, otherwise deterrence fails."

—Harold Brown
December 7, 1994

- National self-determination versus the inviolability of internationally recognized borders;
- The right to refuge versus protection from excessive immigration; and
- The protection of human rights versus non-intervention in internal affairs.

Defining U.S. interests is also no easy matter. Our analysis argues that the most important U.S. ties are with the other major powers, both in Europe and increasingly in rapidly-growing East Asia. To be sure, the U.S. also has several vital ties in other parts of the world, based on access to key resources (the Persian Gulf), historic interests (the Korean peninsula and the Arab-Israeli conflict), and concern about problems in the U.S. backyard (the trans-Caribbean basin). In addition, transnational threats and humanitarian disasters will sometimes demand a response from Washington.

Promoting Enlargement

Whereas during the Cold War the priority was to contain communism, the new focus of U.S. foreign and security policy is on enlarging the community of market democracies. Enlargement has a role to play in each of the three areas of the emerging world order. Some of these tasks are more vital than others:

- Sustaining democracy and free markets in what we call the community of market democracies. Although of vital importance to the U.S., this task does not require urgent efforts, because free institutions usually face little challenge in the market democracies.
- Promoting the transition from totalitarianism or authoritarianism in what we call the transitional states—for example, Russia, South Africa, and China. This task is both vital and time-consuming for policy makers.
- Encouraging the development of democracy and free markets in what we call the troubled states. This difficult task is important from the perspective of promoting U.S. values and serving long-term U.S. geostrategic interests. Nevertheless, enlargement to encompass the troubled states is not in our view at the top of the list of short-term national security interests.

Proposed Priorities For The U.S.

In the traditional security realm—setting aside other national interests such as economics—four priorities flow from this analysis. We discuss them in order of importance:

Ensuring Peace Among the Major Powers

The most important U.S. interest is maintaining peace among the major powers. The health of the alliances with Japan and the major powers of Europe is primary. The U.S. also wants good working relations with Russia and China, which will be easier to the extent that the transitions to democracy and free markets advance in those countries. Besides having good bilateral relations with each of the major powers, the U.S. should also seek the peaceful resolution of disputes among other major powers—for example, the Kurile Islands dispute between Russia and Japan. Seen in this light, the 1994 Russian-Chinese accord is good for U.S. interests.

Creating mechanisms for non-violent conflict resolution will become all the more urgent if the world divides into distinct great power spheres of influence, because history suggests that great powers tend eventually to fight over the boundaries of their spheres of influence. To date, the spheres are too amorphous to clearly identify potential conflicts over them. New conflicts could arise, for example, in Asia, where the pattern of influence remains muddled, or over Central Europe, which lacks clear lines separating possible spheres of influence.

This interest in peace among the great powers is unlikely to attract the continued close attention devoted to troublesome regional crises, but the deterioration of relations among the major powers would be more threatening to the U.S. in the long term than any regional crisis. When considering how far to press principles like democracy and human rights in China or free markets in Russia, Washington will need to carefully evaluate the risk that such efforts might damage relations with the country in question, with negative consequences for the peace among the great



Briefing by Russian Defense Minister General Pavel Grachev to NATO Defense Ministers, May 1994.

powers. In responding to regional crises, as well, the U.S. should place among its most important considerations the question of how its actions will affect that peace. For instance, a danger in any Korean crisis is the possibility that different perceptions of the danger in Tokyo and Washington could strain the U.S.-Japanese alliance.

Engaging Selectively in Regional Conflicts

It is neither desirable nor possible for the U.S. to engage in every regional conflict. It is to be hoped that Washington will choose to exercise leadership primarily in those situations in which both U.S. interests and principles are at stake, rather than where only its principles are tested. Priority should be given to traditional commitments and to those cases in which action is needed now to prevent a greater danger later, particularly in the case of rogue states that refuse to fit peacefully into the world system and are acquiring weapons of mass destruction. The most likely arenas for involvement are in areas of traditional U.S. concern: the Korean peninsula, the Persian Gulf, the Levant, and the nations around the Caribbean. This list is by no means exhaustive, because the U.S. could decide to fight almost anywhere if sufficiently important interests were at stake and because the U.S. could make new commitments, for example in parts of Central Europe.

In defending its vital interests and principles, the U.S. must be prepared to use decisive force. It must also be prepared to act alone, although acting as part of a coalition is preferable as long as the U.S. leads that coalition.

Responding to Transnational Threats

Problems like drug trafficking, terrorism, and pollution are increasingly becoming transnational in character, as criminals operate across borders and environmental problems arise on a global scale. These problems have become an important part of the national security agenda because they affect the well-being of so many Americans. That said, it remains unclear how much the military will become involved in the growing problem of transnational threats.

Some threats of this kind seem to call for military forces to back up police forces that are outgunned and outmaneuvered by international criminal syndicates. Quasi-police operations have been normal for armed forces in many nations and for U.S. armed forces in times past. They have not, however, played a major role since World War II in the activities of most of the armed forces, other than the Coast Guard and National Guard. There may well be resistance within the military to the use of increasingly scarce resources for quasi-police functions. The natural inclination of the military is to concentrate on preparing for major conflict rather than be drawn into areas for which military force is less obviously needed.

On the other hand, a reason to give priority to such transnational threats is the risk that if these problems are left unattended, they could escalate to affect vital U.S. interests or to create massive humanitarian disasters, which would then demand U.S. intervention on a much larger scale.

Assisting Failed States

The U.S. public is likely to support assistance to failed states in those cases where the military can respond constructively and at relatively low cost. One example would be the provision of relief after

humanitarian disasters. Likewise, when a local conflict threatens to spill over into neighboring states, border monitors and military aid to the neighbor can often be effective. Similarly, when clashing parties agree on a political solution but are suspicious of the willingness of the other side to live up to its promises, peacekeepers can make a difference.

Messy domestic conflicts create problems for military intervention. Yet U.S. public pressure to prevent humanitarian disasters and genocide may encourage intervention in countries where the United States has few direct and immediate interests, as was the case in Somalia. No other issue has created a more difficult set of foreign policy problems for the last two administrations.

In general, the U.S. military's role in failed states will probably be to provide humanitarian aid, protect non-combatants, and prevent conflicts from spreading to other countries. The U.S. military is less likely to play a major role in nation-building, at which its success record is spotty at best. But the military is unlikely to avoid all nation-building responsibilities, as the 1994-95 intervention in Haiti demonstrates.

A danger in nation-building is that restoring political institutions often requires choosing sides in an ongoing conflict. The side not chosen may then see U.S. forces as the enemy and attack them, leading to casualties that erode public support for the operation. Of course, humanitarian operations can also have a downside: underlying problems that were suppressed when U.S. forces were present often re-emerge after those forces have departed, leading to questions about the efficacy of intervention.

Forming coalitions for crisis response will be difficult. No state, including the U.S., wants to take the responsibility of leadership in those cases where history and common sense suggest that intervention will be lengthy, costly, and complicated. When U.S. interests are not directly at issue, Washington may choose to be marginally involved or to press for a clear exit strategy should intervention go badly.

Implications For The U.S. Military

Combining these trends and priorities, certain implications can be drawn for how the military can prepare today for the conflicts it may encounter in the coming years.

Haitian refugees at encampments
at Guantanamo.



Balance Forces Among Four Fundamentally Different Missions

The U.S. military will be expected to accomplish four fundamentally different missions, flowing from the four priorities listed above. Resources may be insufficient to accomplish all of these missions equally well. Thus, Washington is likely to face difficult choices about how to allocate available resources to respond to these missions. In order of descending priority, these missions are:

- *Hedging against the emergence in the next one or two decades of a military peer competitor from among the major powers.* This mission requires developing capabilities for leading edge warfare. The U.S. military wants to be in a better position than any potential rival to exploit new commercially-developed technologies for military purposes. Taking advantage of the revolution in military affairs requires new doctrines as well as new equipment. Although easy to overlook in the short run, this mission may well be the most vital in the long run.

- *Preparing for major regional conflicts with rogue states.* This mission requires the successful stewardship of a ready force with superior warfighting abilities and a significant counter-proliferation capability. Much current military analysis, including the *Bottom Up Review*, focuses on this challenge. The nightmare scenario is two nearly simultaneous major regional conflicts, such as one in the Persian Gulf and one on the Korean peninsula. Given likely budgetary constraints, success in such a situation may well require coalition partners.

- *Developing a cost-effective response for quasi-police missions in order to meet transnational threats.* Operations such as picking up illegal Haitian or Cuban immigrants, intercepting narcotics shipments, and fighting western forest fires will be one part of the military's vigorous engagement throughout the world in support of U.S. values and interests. At the same time, such missions do not require multibillion dollar equipment designed for combat. Nor should they be allowed to tie up personnel with specialized combat skills for extended periods.

- *Engaging selectively in troubled states.*

The military may prefer to minimize this mission, both to husband resources for major conflicts and because of problems with "mission creep," which happens when a humanitarian operation begins to take on aspects of nation-building. The hard reality, however, is that failed states are becoming more common and the U.S. public often insists on intervention in the face of massive humanitarian disasters.

Adjust to Higher Operational Tempos

U.S. forces will be engaged in more operations even as their numbers decline. Forces will be committed simultaneously on numerous fronts. At the time of this writing in late 1994, U.S. forces are involved in Haiti to restore democracy, deployed to the Persian Gulf to deter Iraq, air-dropping humanitarian supplies in Bosnia, deterring an attack by North Korea, and maintaining thousands of Cuban and Haitian refugees in camps (see map on the following page).

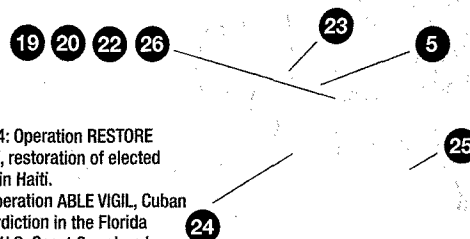
The higher operational tempo takes a toll on several fronts. Less time is available for training, which can cut the edge U.S. forces have in the use of the most advanced technologies. Morale and re-enlistment rates can suffer from the human toll on those separated from their families.

Expect Ad Hoc Coalitions Rather Than Alliances

There is no overpowering threat that will create enduring alliances the way the Soviet threat brought NATO into being. Like-minded states, including the NATO states, will not always agree on which regional crises deserve attention, so coalitions will shift from case to case. Public opinion, in the U.S. and internationally, will usually insist on intervention by a coalition rather than by U.S. forces alone, even when coalition partners add nothing to—or even complicate—the military effort. Most important, as defense spending declines, the U.S. will increasingly need to rely on coalition partners to complete the four missions discussed above. Programs like International Military Education and Training (IMET), aimed at increasing the ability of foreign forces to work with the U.S. military, will

U.S. Overseas Military Operations Since Desert Storm

- 1 March 91–Present: Operation PROVIDE COMFORT, humanitarian assistance to Iraqi Kurds.
- 2 May–June 91: Operation SEA ANGEL, humanitarian relief in Bangladesh.
- 3 June 91: Operation FIERY VIGIL, Philippines volcanic eruption.
- 4 September–October 91: Operation QUICK LIFT, airlift support to transport French and Belgian troops and equipment in support of noncombatant evacuation operation, Zaire.
- 5 October 91–July 93: Operation GTMO, humanitarian assistance to Haitian migrants at Naval Base Guantanamo Bay, Cuba.
- 6 February 92: Operation PROVIDE HOPE, to airlift excess DoD medical supplies and food stuffs to the Commonwealth of Independent States.
- 7 May 92: Noncombatant evacuation operation, Sierra Leone.
- 8 July 92–Present: Operation PROVIDE PROMISE, to airlift excess DoD food and medical supplies to Sarajevo, Bosnia.
- 9 August 92: Operation PROVIDE TRANSITION, airlift support to demobilized Angolan soldiers for repatriation and preparation for Angolan elections.
- 10 August 92–December 92: Operation PROVIDE RELIEF, to airlift food supplies to Somalia and Somali refugees in Kenya.
- 11 December 92–May 93: RESTORE HOPE, to establish security to facilitate humanitarian relief in Somalia.
- 12 May 93–March 94: Operation CONTINUE HOPE, conducted under UN auspices to continue humanitarian relief in Somalia.
- 13 August 92–Present: Operation SOUTHERN WATCH, in which coalition forces established a "no-fly" zone in southern Iraq (below the 32d parallel) for all Iraqi aircraft.
- 14 April 93–Present: Operation DENY FLIGHT, enforcement of the UN-sanctioned no-fly zone over Bosnia-Herzegovina.
- 15 June 92–December 92: Operation MARITIME MONITOR, surveillance of cargo being transported through the Adriatic to the Former Yugoslavia Republic.
- 16 December 92–June 93: Operation MARITIME GUARD enforcement of the UN-sanctioned embargo against the former Yugoslavia Republic.
- 17 June 93–Present: Operation SHARP GUARD, enforcement of the UN-sanctioned embargo against the Former Yugoslavia Republic (amended November 94 to exclude Bosnia) conducted in conjunction with WEU forces.
- 18 July 93–Present: Operation ABLE SENTRY, approximately 500 U.S. military personnel in Macedonia as military observers under operational control of UNPROFOR.
- 19 October 93–September 94: Operation SUPPORT DEMOCRACY, maritime interdiction of arms and oil off the coast of Haiti to force military government to step down and allow duly elected government to return to power.
- 20 May 94–Present: Operation SEA SIGNAL, Haitian migrant interdiction at sea. Haitians transported to safe haven at Guantanamo Bay.
- 21 July 94–Present: Operation SUPPORT HOPE, U.S. humanitarian relief and relief support operations in support of Rwandan refugees.
- 22 September 94: Operation RESTORE DEMOCRACY, restoration of elected government in Haiti.
- 23 August 94: Operation ABLE VIGIL, Cuban migrant interdiction in the Florida Strait by the U.S. Coast Guard and supported by DoD.
- 24 August 94: Operation SAFE HAVEN, migrant operations in the Republic of Panama.
- 25 September 94: Operation DISTANT HAVEN, Safe haven facilities for Haitians on Suriname.
- 26 September 94: Operation UPHOLD DEMOCRACY, restoration of democratic government in Haiti.
- 27 October 94: Operation VIGILANT WARRIOR, defense of Kuwait against renewed Iraqi threat.



NOTE: Some operations are managed, coordinated, or authorized by the U.N. or NATO.

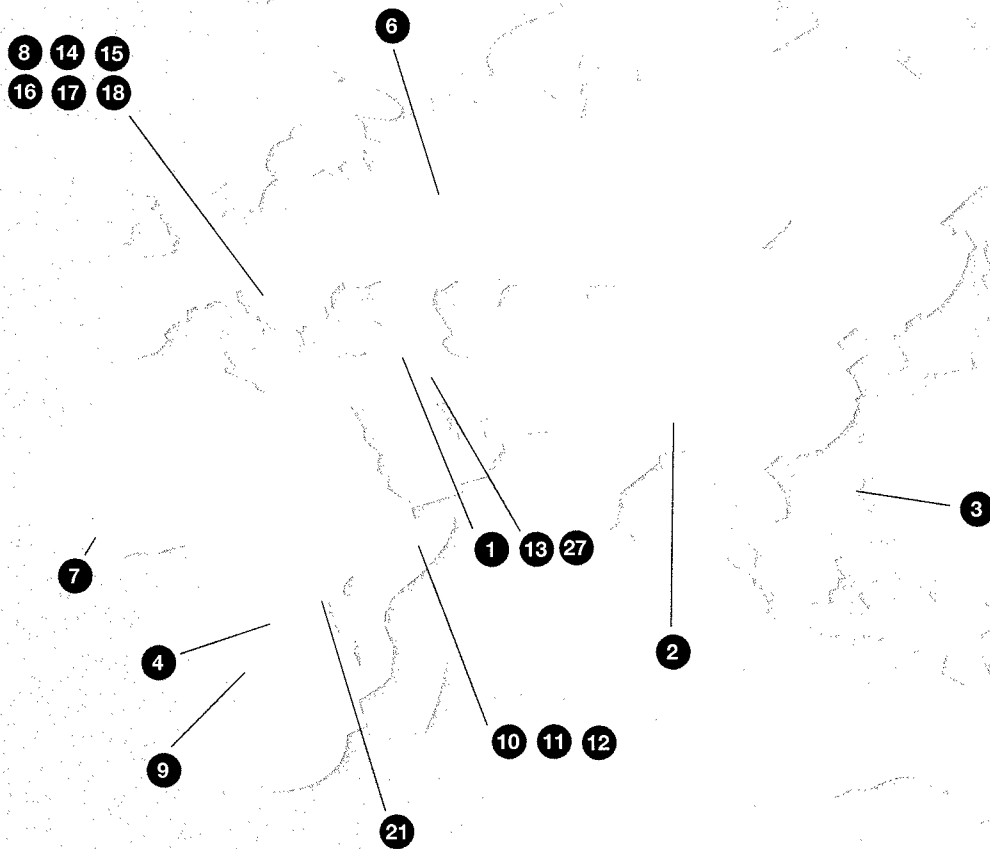
become more useful militarily, in addition to their political impact. In some situations, the U.S. may decide the most appropriate response to a security problem is to encourage a coalition in which it does not participate.

Plan Based on Tasks, Not Threats

After fifty years of being able to easily identify the chief threat to the United States, the U.S. military may have to return to an older style of planning in which the world is full of dangers but no one knows where or how the U.S. military will get involved in combatting those dangers. The best way to plan in a world with unknown enemies is to identify the sorts of tasks that the military will be called upon to do, not to guess about the specifics of where and whom the military will be asked to fight.

Give Continued Weight to Forward Presence

During the Cold War, U.S. forward presence was primarily for deterrence, with U.S. forces abroad at times acting as a trip wire that assured U.S. commitment to respond vigorously in the event of an attack. In the new environment, a continuing U.S. forward presence, albeit at a lower level, provides reassurance in Europe, East Asia, the Middle East, and Central America that regional stability remains important to the United States. A U.S. presence also deters regional powers from jockeying for positions of dominance. Forward presence also provides staging areas for operations elsewhere, which becomes more important



as the U.S. is called upon to intervene in disasters that could break out anywhere in the world, including areas far removed from the usual theaters of U.S. military operations. This staging area role may create problems in those cases in which the host country does not see eye-to-eye with the U.S. about its intervention in some third country crises.

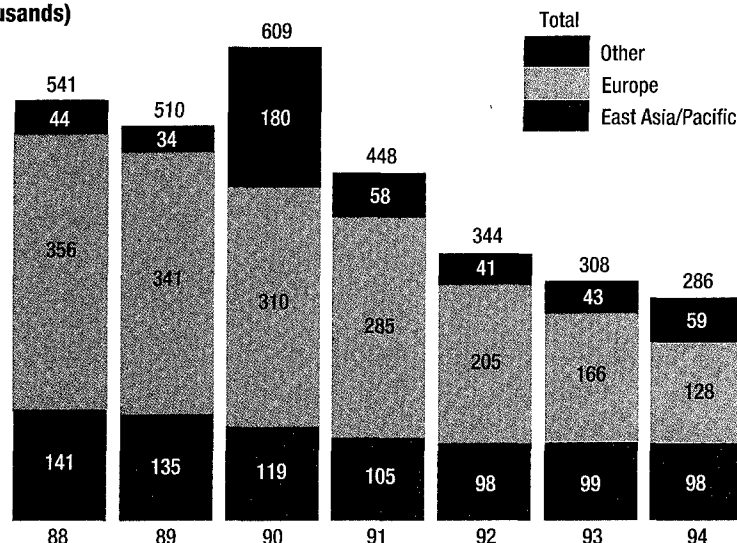
Anticipate Declining Importance of Main Battle Platforms

Classical military formations, with their planes, ships, and tanks, are no longer the sole pillars of military might. For the militaries of the advanced industrial countries, the integration of advanced weapons and communication/sensing sys-

tems—the military technological revolution—is increasingly the key to success in war. This has two effects. First, large battle platforms are becoming more vulnerable to precision-guided munitions. Second, weapons are getting smaller, so they can be carried on smaller platforms. In less technologically advanced nations, success in limited warfare against major powers may be possible through deployment of “silver-bullet” weapons systems that can accomplish one particular task well (for example, brilliant mines for blocking straits or portable anti-aircraft weapons). With the proliferation of weapons of mass destruction, dispersion of forces becomes more attractive relative to concentrations of main battle platforms.

U.S. Military Personnel in Foreign Areas, FY 1988-93

(in thousands)



SOURCE: Department of Defense.

NOTE: Figures are as of the end of the Fiscal year (September 30). Thus, totals for 1990 do not include maximum Desert Storm deployments, which peaked between the close of FY 1990 and FY 1991.

Adjust to a World of WMD Proliferation

Every effort must be made to prevent the proliferation of weapons of mass destruction. Experience in the Indian subcontinent indicates, however, that nations will sometimes acquire such weapons despite U.S. efforts. Counterproliferation policies are needed to deal with these contingencies. Anti-tactical ballistic missile systems, for example, will be needed to protect U.S. forward deployed forces and allied nations. New tactics, with an emphasis on dispersion of forces, will be needed. And new confidence-building measures to stabilize regions affected by proliferation will become important.

Consider What are the Most Appropriate Command Structures

The trend in the U.S. military has been towards more power for the unified CINCs. However, new information and communications technologies are shifting power to those with the most powerful computers and most effective sensors. Depending on how the new technologies are introduced, national level commanders in Washington could be tightly linked to the

constituent elements of the unified command, thus affecting the CINCs' role. At the same time, the punch packed by the individual soldier is increasing, eroding the role of field commanders and resulting in flatter command and control structures. The fluidity of the political scene also complicates the formation of stable command divisions, because crises may flow across the areas of responsibility fixed during the Cold War.

Avoid Further Reductions in the Defense Budget

It will be impossible to meet all four military missions and deal with the other changes discussed above if current trends in budget cuts continue. By the end of the decade, defense spending is projected to fall to the lowest level relative to national income since 1950, and military personnel to the lowest level since 1939. In the short term, it is possible to maintain readiness by cutting force structure and reducing investment in research and procurement, especially because the U.S. has such a large inventory of advanced weaponry. However, if this trend continues, the United States will be forced to make a clear choice. Either it will have to skimp on research, development, and procurement of new weapons systems and risk being unready for a major peer competitor several decades from now. Or it will be forced to abandon its two major regional conflict strategy due to cuts in current force structure and reduced readiness. It will also have to reduce its current operations other than war and risk abandoning peace operations. These are choices no U.S. administration should be forced to make.

NOTES

¹ We use the term "policy" to mean a course of action selected from among alternatives. We do not use the term in the sense favored by many military analysts, namely, a high-level overall plan embracing the government's general goals and procedures. We use the term "strategic" in a broad sense, relating to the government's overall aims.

Asia Pacific

The Asia Pacific region presents a paradox. Despite the threat of conflict on the Korean Peninsula, conflicting claims in the South China Sea, and the low boil in Cambodia, the region is more stable and more peaceful than at any time in this century. On the other hand, there is a pervasive sense of uncertainty about the future.

A number of factors contribute to the sense of regional unease. Owing to the collapse of the Cold War framework, regional powers now compete more directly than in the past. (Russia is years away from exerting an influence even approximating that of the former Soviet Union.) Record-setting achievements in national economic development have brought with them a new desire on the part of regional powers to gain the strategic depth required to safeguard their growing prosperity.

More specifically, Beijing's obdurate pressing of its territorial claims in the South China Sea provokes a measure of anxiety, particularly in light of China's growing air and naval power. There is also fear that a halt in China's economic growth or a hitch in the transfer of power after the death of Deng Xiaoping could threaten China's political stability, and with it, the stability of the whole region. The region also faces the

prospect of a nuclear-armed North Korea, whose unpredictable leadership sees itself as besieged on all sides.

But the most troubling uncertainty of all concerns the presence and role of the United States. Despite high-level assurances and continued forward deployments, there exists a broad perception in Asia that U.S. power is declining, at least in relative terms, and that the U.S. military presence in Asia is bound to decline as well. This raises doubts about the future of the U.S. role as the region's strategic anchor and balancer. More important, it raises questions about a new regional balance of power.

Defining Trends

The national security policies of the major regional powers increasingly reflect efforts to come to terms with these and other uncertainties. During the next few years, as these policies continue to evolve in response to regional and global developments, a new regional security order will emerge. The new system will be shaped by five major trends that define the Asia Pacific region today.

The Strategic Importance of the Region Will Continue to Increase in Line with the Increase in its Economic Importance

Since the mid-1970s, many Asian nations have taken advantage of a stable regional political order to implement market- and trade-oriented economic policies that have produced the most rapid rates of economic growth in history. A number are now poised to join the community of prosperous market democracies.

By the next century, the global center of economic gravity may well have shifted to this region. In 1992, regional GNP accounted for 25 percent of the Gross World Product (calculated on a purchasing power parity basis or at official exchange rates). Japan and China represented the world's second- and third-largest economies, respectively. Barring some political calamity, the region will produce approximately one third of the Gross World Product in 2001

(on a purchasing power parity basis). The region is also a major source of the investment capital required to spark and sustain the global economy. Current official reserves in the region now exceed \$250 billion, equal to those in all of Europe; more than three quarters of those reserves are held by China, Hong Kong, and Taiwan.

The ultimate effect of the Asian economic miracle on intra-regional relations is not clear. On the one hand, economic success creates forces for divisiveness. The need for raw materials and access to markets breeds competition, which is intensifying as the interests of individual nations expand. Often, as in the case of China and Japan, competition is complicated by historical animosities and conflicting territorial claims. Also, such powers as North Korea, Burma, Laos, Vietnam, and Cambodia, which do not yet share in the general prosperity, remain sources of tension.

On the other hand, the positive response of Japan, South Korea, and the ASEAN nations to Beijing's efforts to reconstruct and expand relations illustrates that Asia's economic coming of age is also producing an impulse toward stability and integration. This principle is increasingly evident in efforts to develop regional frameworks for economic and security cooperation, ranging from the Asia Pacific Economic Cooperation (APEC) accord to the ASEAN Regional Forum (ARF), to South Korean proposals for a conference on security and cooperation in Northeast Asia.

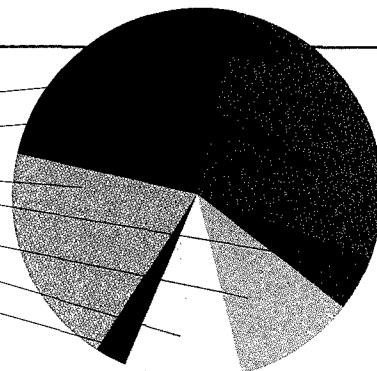
Regional Powers Will Continue to Focus on Domestic Agendas

Domestic economic, political, and social problems have become the primary concerns of regional leaders. In Japan, a succession of weak governments has had little success in developing policies to deal effectively with a stubborn recession, while in China the leadership continues to grapple with the political consequences of market economics. Beijing is also concerned about growing disparities in income levels among the nation's different regions, which may eventually threaten the unity of the People's Republic. Both China and Japan

Gross World Product by Region, 1992 (\$ billions)

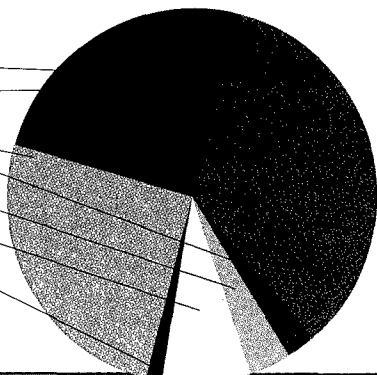
Purchasing Power Parity

\$ 8,260	Europe
7,438	Asia Pacific
5,896	United States
1,475	Russia and Neighbors
3,162	Greater Middle East
3,089	Western Hemisphere
780	Sub-Saharan Africa
\$30,100	World Total



Official Exchange Rates

\$ 7,980	Europe
5,607	Asia Pacific
5,920	United States
582	Russia and Neighbors
872	Greater Middle East
1,776	Western Hemisphere
270	Sub-Saharan Africa
\$23,007	World Total



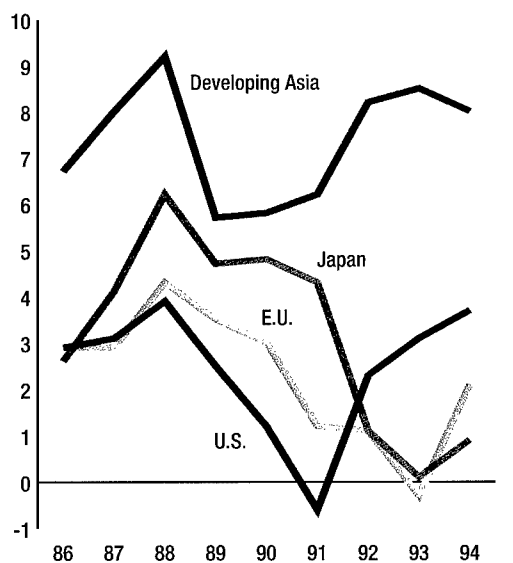
SOURCE: World Bank, World Development Report 1994

are experiencing a slow transition to a new, younger generation of political leaders. China already faces significant social unrest, which may well increase as the succession unfolds. In both cases, completing the transition will require a number of years.

On the Korean Peninsula, the real test of Seoul's still-new democratic political institutions will not be passed until the succession to Kim Young Sam is completed by constitutional means. In the North, a new leadership is emerging. The outcome is uncertain, and much depends upon the final issue. Political implosion in the North would be destabilizing at the very least, and could result in a conflict that would destroy many of the recent political and economic achievements of the region.

This concern with domestic matters means that, for the next few years at least, Asian political leaders will, more than ever, tend to view foreign and national security policy needs through the prism of pressing domestic political requirements. Domestic political preoccupations and internal political weakness have been known to result in destabilizing behavior in other times and places. Considering the stakes, however, it is more likely that the regional leaders most affected by these conditions will seek to avoid potentially destabilizing confrontations.

Annual Real GDP Growth Rates, 1986-94



Source: IMF, World Economic Outlook, Oct 94

Regional Leaders Will Intensify Efforts to Develop a More Permanent Structure of Security Relations

Doubts about the future U.S. role and presence, the absence of any external military threat to replace the former Soviet Union, and the persistence of potential flashpoints all contribute to a desire to achieve a new structure of regional security relations. At present, however, the characteristics of the evolving regional order are unclear. Whether there will be one system, or one for Northeast Asia and one for Southeast Asia (and, if the latter, the nature of the relationship between the two) is a major uncertainty.

The end of Chinese stonewalling on regional security dialogue, the Clinton administration's call for a New Pacific Community, and the achievements of APEC and ARF all suggest that, in principle, multilateralism is a preferred approach to dealing with regional security problems. This, in turn, raises questions about the future of the present approach, which relies upon a network of bilateral security ties between the United States and Japan, South Korea, Australia, the Philippines, and Thailand, as well as agreements providing the U.S. with access to support facilities in Malaysia and Singapore.

Regional Powers Will Try to Sidestep Confrontational Issues

Because of domestic economic and political priorities, no nation—with the possible exception of North Korea—has an interest in disrupting the overall stability that prevails in the region. For example, despite strains in U.S. relations with China (over human rights and trade issues) and Japan (over market access), all three countries continue to cooperate in order to avoid any serious disruption of their bilateral ties.

The possibility of conflict in Taiwan, the South China Sea, and especially the Korean Peninsula will, of course, continue to affect the security planning of every regional power. Given China's strong interest in maintaining stability, however, Beijing is likely to remain conciliatory. Conflict would be likely to occur only if Taiwan

were to declare its independence, or if one or more parties to the territorial dispute in the South China Sea were to directly challenge China's sovereignty claim.

Nor is a conventional conflict between India and Pakistan likely to create instability beyond South Asia. Even though China would face pressure to assist Pakistan in such a conflict, Beijing would almost certainly prefer to avoid direct involvement and work with other major external powers to promote a diplomatic settlement. If, however, such a conflict were to escalate to the nuclear level, the impact on the region would be much more difficult to manage.

The Korean Peninsula will be the major source of concern, particularly if the isolation and inaccessibility of the North Korean regime persists. The major priority of all of the regional powers will be to avoid the outbreak of conflict, and the powers most directly concerned will wish to avoid taking any actions that might provoke the North Korean leadership. At the same time, secondary attention will be directed toward achieving a smooth and gradual process of reunification, even if this means tolerating some ambiguity about North Korean nuclear capabilities and intentions.

Regional Powers Will Continue to Adjust Their Military Strategies and Improve Their Military Capabilities

The emphasis on domestic priorities and a region-wide desire to maintain stability will not prevent regional security planners from re-examining and redefining their military strategies and improving their force structures. This is illustrated by China's relatively new focus on limited regional conflict and its ongoing program of military modernization, Japan's recently completed re-evaluation of its National Defense Program Outline, South Korea's defense modernization plan, and the continuing efforts of the ASEAN nations to modernize their military equipment and capabilities.

Between 1985 and 1992, increasing prosperity made it possible for regional powers to increase their spending on de-

fense. Nations with the highest rates of economic growth also showed the largest increases in spending for defense. Overall, Asian defense spending grew at about 22 percent. This exceeds the rates for the Middle East and the rest of the less developed world, and almost matches European levels for the same period—although since 1992, European defense spending has declined, while Asia's has not. As might be expected, Northeast Asian defense spending is the highest, owing to the size of the economies of China, Japan, and South Korea, and to the scale of the strategic challenges they face. During the next few years, Chinese and South Korean expenditures will probably continue to show the largest increases, while the rates of increase for Japan and North Korea can be expected to hold steady or decline slightly. Expenditures by Southeast Asian nations also may be beginning to level off.

Acquisition patterns reflect a desire to modernize forces in order to deter or prosecute any limited regional conflicts that might arise. Regional powers are seeking the kinds of high technology systems and capabilities that proved effective during the Gulf War. Areas for improvement include air and naval capabilities; command, control, and communications systems; tactical intelligence systems; electronic warfare capabilities; and rapid deployment forces.

China is actively engaged in improving the quality of its nuclear forces. Evidence available at this time suggests that Beijing is committed to modernizing its small strategic force, rather than mounting an effort to substantially increase the size of that force. Because Beijing still has some distance to travel on this path, it is likely that China's testing program will continue. North Korea's nuclear intentions continue to be a subject of serious regional and global concern.

There is much discussion about whether these developments constitute an arms race or not. Citing the generally good political relations among Asian nations, most observers believe that regional security planners are not basing their force structure improvements on the need to deal with a particular "threat," and there is no

Military Expenditures, 1985 and 1993 (1993 \$ billions)

United States

1985 339.2

1993 297.3

Asia Pacific

1985 99.0

1993 144.7

Europe

1985 231.9

1993 201.7

Russia and neighbors

1985 157.7

1993 86.3

Greater Middle East

1985 100.9

1993 57.9

Western Hemisphere

1985 28.8

1993 26.1

Sub-Saharan Africa

1985 9.8

1993 8.8

World

1985 967.4

1993 823.0

indication of an action-reaction dynamic at work. Excepting the Korean Peninsula, it is therefore probably misleading to think in terms of a regional arms race.

In virtually every case, doubts about the future U.S. role and military presence in the region are a major factor stimulating change. With the obvious exception of North Korea, most nations view the prospect of a diminishing U.S. military presence with varying degrees of dismay. Considering Beijing's worries about future relations with its historic competitor Japan, even China probably would prefer that such a decline occur only after the Chinese have achieved considerable improvement in their own military capabilities. Regional powers that have hitherto relied to some extent upon U.S. security guarantees are beginning to develop "hedging strategies" to prepare for possible future contingencies, designing and deploying more self-sufficient forces capable of operating with less direct U.S. support.

U.S. Security Interests

With the exception of the Korean flash-point, none of the trends that presently define the region is necessarily threatening to U.S. interests. They do, however, indicate that a new security order is emerging to replace the Cold War system—an order that reflects the rising economic power and political aspirations of the major regional powers. South Korea and the ASEAN countries—and perhaps China as well—are examples of former Third World nations that are well on the way to joining the market democracies. Meanwhile, Japan, which has long been numbered among the ranks of market democracies but has refrained from exercising leadership, is making an effort to come to terms with the responsibilities of its position.

The challenge for the United States is to maintain a stabilizing presence in the region during this time of transition, and thereby to secure its interests for the future. Because of its past actions, its high standing within the region, and its national power, the U.S. remains well-positioned to meet this challenge.

Deterring Conflict by Maintaining an Effective Security Presence

An effective U.S. security presence remains key to maintaining the peace in Asia. A credible U.S. commitment to the security of both Korea and Japan helps to deter conflict on the Korean Peninsula. A perceived diminution of the U.S. military commitment to Japan, including the nuclear umbrella, would encourage a more independent Japanese military, which would cause alarm throughout the region, given vivid memories of Japan's brutal aggression earlier in this century. The U.S. military presence has helped to make the ASEAN region peaceful, and regional actors expect that the U.S. will remain engaged for the foreseeable future.

Expanding U.S. Access to Asia Pacific Economies, and Supporting Their Growth

The United States has a vital national interest in maintaining access to the region's vibrant economic systems. The Asia Pacific region is emerging as the center of global economic activity, and the economic welfare of the United States is deeply intertwined with the economic future of this region. Continuing strong economic growth in this region serves U.S. interests by providing expanding markets for U.S. exports, new investment opportunities and sources of capital, and a stimulus to the development of new technologies and marketing strategies. More important, such access is also a positive indicator of a long-term U.S. commitment to expanding its regional presence.

Preventing the Domination of the Region by Any Hostile Power

The rise of a hostile hegemon in Asia would threaten vital U.S. interests. If China, India, Japan, or Russia were to make such an effort, the effect would, at a minimum, be destabilizing. It would also threaten conflict, potentially degrade the material quality of U.S. life, and undermine the ability of the U.S. to maintain its position globally.

SOURCE: International Institute for Strategic Studies

Although there is no possibility that any hostile power will achieve hegemony in the region in the next few years, the situation in the future might be different. Whether the U.S. is challenged by a hostile or potentially hostile power at some point in the future depends, in part, upon U.S. actions in the next four to five years.

Preventing the Proliferation of Weapons of Mass Destruction and the Systems for Delivering Them

At present, the major challenge to U.S. interests and regional stability resides in the Korean Peninsula, where North Korea now faces the need either to fish or cut bait with respect to its nuclear program. A North Korean nuclear capability would raise the stakes of war on the peninsula, and increase the pressure on Japan and South Korea to mount nuclear weapons programs of their own. Either of these events would threaten the global interests of the United States, and would probably

destroy the Nonproliferation Treaty on the eve of its scheduled 1995 re-evaluation and possible renewal.

Promoting the Growth of Democratic Political Systems

It is in the long-term U.S. interest to promote the development of governments that share its democratic values and market-oriented approach to economics. The nations of the region are only beginning to come to terms with the issues that divided them in the past, and a shared democratic orientation and commitment to market economies would promote their willingness to take measures to offset years of mistrust. Also, such a commitment can help to establish a basis for restructuring civilian/military relations, which continues, despite progress, to be a problem in many Asian states.

Asia Pacific Defense Expenditures By Country (1993 \$ millions)

Japan

1985 28,240
1993 25,346

China

1985 26,083
1993 27,430

Taiwan

1985 8,461
1993 12,100

Australia

1985 7,155
1993 7,340

North Korea

1985 5,461
1993 5,300

Thailand

1985 2,462
1993 3,160

South Korea

1985 8,268
1993 13,400

Malaysia

1985 2,318
1993 2,700

SOURCE: IISS

Key U.S. Security Policy Issues

The Korean Peninsula

The Korean issue is perhaps the most challenging and important of all of the issues facing the United States in the region. U.S. interactions with Pyongyang have a direct impact on the vital interests of Japan, China, and South Korea. Therefore, Washington will be challenged to consider the positions of these powers very carefully.

Leadership Succession. The death of Kim Il Sung, and the uncertainties surrounding the succession of Kim Chong Il, affect every aspect of the Peninsula's security; the fate of North Korea's nuclear program, the dynamic of North/South relations, and the future U.S. role in Korea will all be influenced by events now unfolding in Pyongyang. The policies of the U.S. and the other concerned powers—mainly China, Japan, and of course South Korea—are of crucial importance in shaping future events in ways that may channel North Korean behavior in more positive directions.

Like so much about the North, the final outcome of the succession remains full of uncertainty. Some analysts hold that planning and preparation for the succession, which began as early as the mid-1970s, was essentially complete by the time of Kim Il Sung's death. Indeed, the absence of early signs of real opposition suggests that the younger Kim may be well on the way to consolidating his position as leader. But questions about the longevity of his tenure and the direction of his policies remain.

Some observers believe that, because Kim Chong Il is dependent upon the extremely conservative elites of the Korean People's Army (KPA) and Korean Worker Party (KWP), there will be no major policy changes in the short term. Others note that the younger Kim is well connected with the technocratic circle in the North that has long argued for greater flexibility in economic and foreign policies, and that is now poised to regain the ascendancy it enjoyed at the end of the last decade. In this view, the regime change holds some promise for the future.

Clarity is probably years away. In the meanwhile, the U.S. and its allies will have to make decisions on the basis of uncertain information.

The Nuclear Issue. Efforts to come to terms with the nuclear problem, which have the highest priority for all interested parties, have two components: to secure a freeze on all North Korean nuclear activity, and to evaluate—and, if necessary, roll back—any progress the North may have made towards developing nuclear weapons. If, as appears likely, the purpose of the nuclear program is to secure the existence of the North Korean regime in some form, Pyongyang can be expected to make every effort to sustain the ambiguity that surrounds its nuclear accomplishments. Further, there is some tension between efforts to learn about and roll back the program on the one hand, and the process of maintaining a freeze on the other. The effort to accomplish the former could well impact negatively on the latter, as North Korea makes cooperation on a freeze contingent upon a reduction in demands for clarification of past activities.

The August 1994 Geneva agreement provides some ground for optimism. In effect, the North agreed to freeze its nuclear program, and observe NPT/IAEA commitments. Pyongyang also promised it would not reprocess the eight thousand fuel rods now in storage or refuel its reactors. In return, the U.S. offered to facilitate North Korean acquisition of light water reactors and eventually to consider steps towards some form of diplomatic recognition of the North. Pyongyang now has positive inducements to move ahead in expanding relations with Washington and Seoul, and with the region in general. The agreement does much to defuse concerns in Beijing, Tokyo, and even Southeast Asia about the potentially divisive course of events before the meeting in Geneva.

Prior to Geneva, the U.S. tended to part ways with China, Japan, and South Korea on the question of priorities in dealing with the nuclear issue. Washington's stance, in which deterrence was central, reflected a deep concern about the international proliferation dimensions of the problem, particularly the potential impact on the future of the Nonproliferation Treaty

Singapore

1985 1,561
1993 2,680

Indonesia

1985 3,076
1993 2,000

Philippines

1985 623
1993 1,217

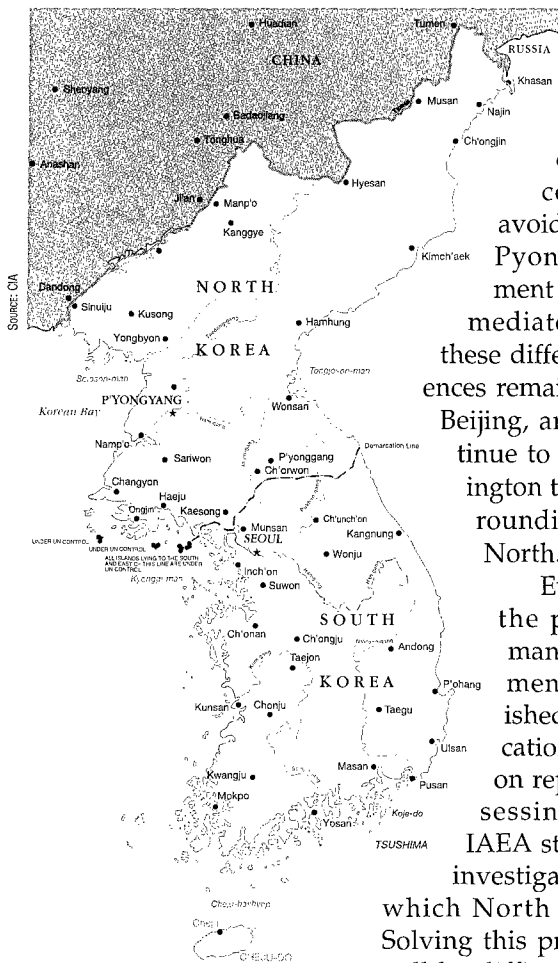
Other

1985 5,282
1993 3,456

Total Asia-Pacific

1985 99,010
1993 144,729

Korean Peninsula



regime. Japan, China, and South Korea also appreciated the proliferation threat, but, as the powers that stand to lose the most in the event of conflict, were more concerned than Washington to avoid antagonizing the regime in Pyongyang. The Geneva agreement has relieved some of the immediate pressures engendered by these differences. However, the differences remain, and in the future, Tokyo, Beijing, and Seoul will probably continue to be more willing than Washington to tolerate the ambiguity surrounding nuclear activities in the North.

Even though some aspects of the problem may be easier to manage after the Geneva agreement, others remain undiminished. For example, while verification of the North's agreements on reprocessing are verifiable, assessing compliance with NPT/IAEA standards ultimately requires investigation of two waste facilities, which North Korea adamantly rejects. Solving this problem through negotiation will be difficult. Another source of difficulty, which directly affects U.S.-South Korean relations, is that Seoul does not want U.S. negotiations with Pyongyang to impinge upon its own prerogatives in dealing with the North. One way in which it manifests this concern is by raising the issue of "challenge inspections" (demanding, in effect, that Pyongyang open virtually all of its military bases to *ad hoc* inspection) in the process of North/South dialogue. Finally, Pyongyang retains a card it has played with success in the past: the ability to use the ambiguity surrounding its past nuclear accomplishments to influence the pace and content of the negotiation process.

Pyongyang's high stake in its nuclear program, when coupled with the uncertainties surrounding the leadership succession, make for a tense situation. Internal political instability in the North still carries with it the possibility of an attack upon the South, and prudence dictates that every ef-

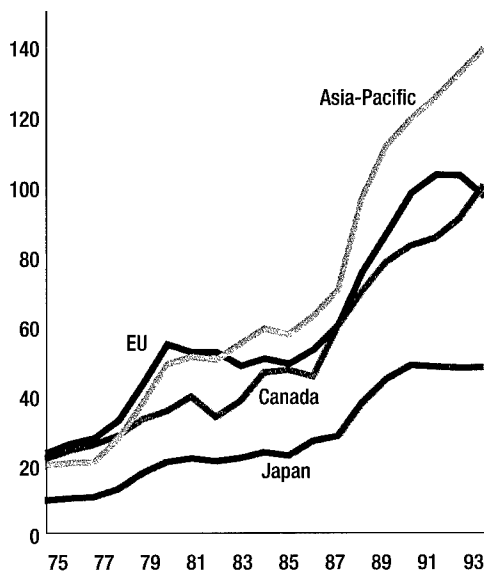
fort be made to foreclose the North's military option for achieving its goals. This, in turn, argues for adopting an array of diplomatic and military measures designed to enhance deterrence without undercutting the negotiations.

South Korean Confidence. In the longer run, the major uncertainties on the Korean Peninsula concern the questions of North/South dialogue and reunification. There is a firm regional consensus in favor of preserving stability. Part and parcel of that conviction is the judgement that an incremental approach to reunification is best. All concerned parties agree their interests would be best served by gradual, peaceful progress towards reunification—the so-called "soft landing."

Since the election of President Kim Young Sam in December 1992, South Korean politics has evolved in ways that have surprised many observers. By implementing a series of adroit domestic measures and holding the line on foreign policy, President Kim has managed to project an air of competence. Most notable in this regard have been the twin success of convincing the public that he is willing to deal with corruption and winning acceptance by the military. Combined with the general perception that South Korea's economic future is bright, this has created considerable confidence about the effectiveness of South Korean political and economic institutions. There is also a general feeling that, if a smooth constitutional transfer of power follows President Kim, South Korean politics will have turned an important corner.

Further, the Republic of Korea Army has begun to address historical problems related to intelligence, command and control, air defense, and air and naval capabilities. Scheduled improvements and air and naval procurement programs will eventually help to remove remaining weaknesses, and very probably give the South an overall military advantage. In the short term, however, U.S. assistance will continue to be necessary. It is increasingly likely that the outcome of a North Korean attack would be the destruction of the Pyongyang regime. However, such a victory would be achieved only at the cost of the temporary loss of Seoul and

Destination of U.S. Merchandise Exports, 1975-93 (\$ billions)



SOURCE: IMF; Dept. of Commerce

widespread destruction throughout the peninsula.

The South Korean approach to reunification remains optimistic. The predominant view is that the goal of a united Korea is best achieved by using South Korea's increasing diplomatic, economic, and military strength to enhance deterrence, and by patiently encouraging the political and economic evolution of the Pyongyang regime. Seoul's belief that time is on its side influences its stance in the dialogue with the North, because it feels less pressure to make concessions than in the past. This view, along with Seoul's concern that it not be marginalized, contains the potential for some friction with the

United States. The challenge will be for Washington to find the proper overlay between its dialogue with Pyongyang and the process of North-South dialogue.

Preparing for an Unstable or Assertive China

The Stability Question. The course of economic and political evolution in China is of concern to U.S. policy simply because China's size, resource base, and growing national strength mean that its influence extends into every corner of the region. Some observers, citing a marked rise in strikes, peasant protests against government inefficiency and corruption, and urban discontent over inflation and corruption, judge that Beijing will not be able to both sustain economic development and maintain a stable unitary state, making China a potential source of considerable regional instability.

Others hold that, despite obvious problems that are characteristic of all developing societies, China's leaders will in the long run successfully use sustained economic growth to offset dissenting voices, buttress their position, and eventually forge a new, effective relationship be-

tween the center and the provinces. Indeed, since his "Southern Journey" at the beginning of 1992, Deng and the proponents of market-oriented reform have staked much on the gamble that continued economic growth will guarantee both stability and the continued leadership of the Chinese Communist Party.

A third view, related to the second, emphasizes the possibility that pressures engendered by China's experience with market economics will ultimately result in greater pluralism, which will in turn be manifested in more democratic political institutions. Most proponents of this view hold that a more democratic China will emerge as a force for regional stability.

Earlier this year, Beijing acknowledged the intensity of the problems it faces by announcing a shift in national priorities from pursuing economic growth to maintaining social stability, which had previously been merely a corollary of economic development. Under the new formulation, however, stability takes precedence, even if it means that some growth must be sacrificed in the short run. The threat to stability in China has two basic sources: uncertainties surrounding the leadership succession, and fissiparous pressures engendered by uneven economic development in various areas.

A successful transfer of leadership requires the emergence of an individual who, like Deng Xiaoping, can forge an authoritative consensus among divergent interests. The impending succession will also involve the empowerment of a younger generation of leaders who owe their positions more to mastery of technical skills than to associations developed in the revolutionary environment of the past. Most important of all, a successful succession will require the restoration of a measure of legitimacy to the rule of the Chinese Communist Party.

At this time, it is not clear whether Jiang Zemin will be able to consolidate his position after Deng passes from the scene. Although he now holds all of the most important official leadership positions, a significant number of Party and government officials regard him as more of a passive re-

spondent to emerging events than a strong leader who actively defines the policy environment.

It is more likely that Deng's passing will usher in a period of collective leadership that will persist for a number of years, and during which individuals will jockey for position until one is able to gain power. Most observers consider it unlikely that this process will produce changes in the basic direction of domestic or foreign policies. More than 80 percent of prices in China are now set primarily by market mechanisms, and it would be nearly impossible to reverse course without major, regime-threatening dislocations. Similarly, domestic imperatives will encourage China to pursue moderate foreign policies designed to avoid confrontations that might upset regional stability. Moves toward a more aggressive or confrontational foreign policy would endanger economic progress, again with dire consequences for the Beijing regime. However, U.S. policy makers must be prepared to face the possibility that the imperatives of succession politics may motivate China's leaders to harden positions on sensitive U.S.-China issues such as Taiwan, trade, and human rights.

China's Growing Assertiveness. The main long-term Chinese foreign policy objective will be to secure what Beijing sees as China's rightful position as a leading force in regional and global affairs. To that end, Beijing faces a challenge with two dimensions, one immediate and tactical, and one strategic and future oriented.

In an immediate and tactical sense, Beijing will focus on the national interests that are most pressing and keep potential challenges to those interests under control. Specifically, the Chinese leadership seeks to use diplomatic means and the specter of improving PLA military capabilities to put teeth into Chinese claims in the South China Sea. Beijing also seeks to deploy military forces that are capable of reinforcing Chinese demands on Taiwan, even though the Chinese remain fairly sanguine about future developments in both of these areas.

The second, more strategic dimension is the challenge to create an economy that is capable of supporting the wide range of economic, political, and military options that will guarantee that China has a major

voice in creating the new regional structure of security relations. Although China's recent economic growth has been spectacular, the economy may be reaching the point at which deficiencies in its legal, energy, transportation, and communications infrastructures will begin to inhibit future growth. In the late 1980s, similar deficiencies in the rural infrastructure brought a virtual halt to increases in agricultural productivity, raising problems that have yet to be overcome.

Beijing's firm declaratory positions on Taiwan, Hong Kong, and the South China Sea, and its military modernization program (with its emphasis on force projection), provide concrete manifestations of Beijing's commitment to have a strong voice in the region. In light of this, U.S. relations with Beijing assume critical importance. If U.S.-China relations remain stable, it will provide a force for stability in the region. If the relationship were to deteriorate, on the other hand, then other powers would face pressure to choose sides, thus making it difficult to avoid tensions. Washington's 1994 decisions to restore military-to-military ties with China and to separate economic and trade issues from human rights concerns may have set the stage for a recovery from the deterioration of Sino-American relations that occurred after Beijing's violent suppression of the student democracy demonstrations of 1989.

However, there are politically powerful constituencies within China, most notably within the military, who feel that China may be paying too high a price for Washington's favor. According to this view, the U.S. is anxious to prevent the rise of a powerful China as a new peer competitor in the region. This judgment that Washington has tacitly adopted the view of China as an enemy clouds Beijing's evaluation of other aspects of U.S. China policy.

Taiwan is potentially the most disruptive issue in bilateral relations. China's senior leadership already judges that continuing U.S. political, military, and economic support fosters the increasingly independence-minded political culture that characterizes the island today. Anti-U.S. factions among the Chinese leadership portray Washington's Taiwan policy as the means

by which the U.S. perpetuates the division of China, prevents the integration of the two economies, and retards China's economic development. They hold similar views with respect to U.S. human rights policies, Washington's position on China's entry into the GATT/World Trade Organization, Beijing's military technology transfer and arms control policies, and the U.S. position on the Spratly Islands/South China Sea question. In each of these cases, concerns about a putative U.S. effort to constrain China has had a crucially important influence on Beijing's assessment of the situation.

Thus far, economic and political considerations have prevented Beijing from taking the openly confrontational stance advocated by the proponents of this view.

Moreover, it is most unlikely that this will change dramatically in the next few years, since China has so much to lose. However, anti-U.S. forces are already a potent factor in policy deliberations, and may enjoy increased influence in the future. Much, therefore, will depend upon the evolution of U.S. policies in particular areas of friction. As the dominant regional power, the United States faces the challenge of accommodating to China's rise in ways that do not threaten its own economic position or its relations with its friends and allies.

Dealing with a Changing Japan

Political Weakness and the Domestic Focus. During the next few years, Japanese leaders, like their counterparts elsewhere in the region, will be focused primarily on domestic issues and problems. Overcoming Japan's stubborn economic recession is the most immediate problem facing the fragile coalition of Socialist Prime Minister Tomiichi Murayama. Neither former Prime Minister Miyazawa's 13-trillion Yen Package, passed in the spring of 1993, nor the 6-trillion Yen plan proposed by former Prime Minister Hosokawa in September of that year produced any significant economic upturn.

In the opinion of many observers, the fact that Japan's economic performance remains sluggish despite such initiatives signals that nothing short of basic reform—involving market opening and a dramatic loosening of regulatory strictures—will be sufficient to achieve results. This view is reinforced further by continuing pressure from the United States, Europe, and China to be more forthcoming in market access, technology sharing, and investment practices. And yet, despite the outcome of the Framework Talks with the United States, Tokyo apparently remains unwilling, and probably unable, to implement such a program.

This is a result of a second problem now confronting the Japanese political system: the political vacuum created by the end of the 38-year reign of the Liberal Democratic Party (LDP) in early 1993. Unless the Japanese are able to forge a new con-



sensus of political forces to replace the defunct LDP-based system, it is highly unlikely that any government will be able to undertake thoroughgoing economic reform measures. Even with the benefit of a new electoral reform law that reduces the number of candidates that any party might field, that process will require a number of years, as conservatives, socialists, and middle-of-the-road forces all compete for advantage. Political weakness is likely to remain a feature of the Japanese political landscape for the next two or three years at least. In the meantime, Tokyo will find it difficult to respond to the pressure for change emanating both from within and without. Washington should expect Japanese movement on issues of concern to the U.S. to proceed in a frustrating series of starts, stops, and reversals.

Foreign Policy Aspirations. In foreign policy, Japan is seeking to acquire a role in international affairs that is commensurate with its economic strength and influence. Tokyo's campaign to gain a permanent seat on the U.N. Security Council, its willingness to participate in U.N. peacekeeping operations, and the opening of its rice market to better prepare for participating in GATT and the WTO all illustrate this aspiration, as well as a willingness to begin to change established customs in order to achieve it.

Another possible indicator of things to come is the effort begun during the Hosokawa administration to expand and solidify political and economic ties with Asia. Japan now surpasses the United States in trade and investment in China. Also, Tokyo was quick to distance itself from the U.S. position on Chinese human rights policies. In a similar way, Hosokawa's apology to South Korea for the injustices of Japanese colonial rule have paved the way for an improved relationship between the two powers. Such actions, along with Prime Minister Murayama's September travels in Southeast Asia, represent an attempt by Tokyo to create options as it confronts regional uncertainties.

Japan's foreign policy aspirations provide the U.S. with opportunities, such as obtaining a more-active Japanese role in peacekeeping and disaster relief operations. At the same time, a more internationally as-

sertive Japan could feed worries in the region that Tokyo seeks to fill the power vacuum created by U.S. withdrawal.

Shifting Security Priorities. Tokyo is also facing a number of major decisions about its defense and national security policies. Although Japanese defense planners have been slow to acknowledge it publicly, the collapse of the Soviet Union removed the need to include a specific military threat in Tokyo's unspoken defense calculus. Although relations with Russia continue to be a source of tension, there is little expectation that these will be expressed in military terms. Concerns about a possible Chinese military threat remain similarly unconvincing with the Japanese public. In fact, depending on events in North Korea, Japan may face no military threat at all in the next few years. In these circumstances, the need to structure the Self Defense Forces for the "defense of Japan" rings increasingly hollow.

No serious consideration is given to ending Japan's Mutual Security Treaty with the United States. However, within Japanese defense circles, there is a lively discussion about defining a new rationale for the alliance, one that will replace the imperatives of Cold War containment strategy with a formulation more in tune with present and future realities.

Such thinking is based upon two considerations, one positive and one more negative. On the positive side, there is a feeling that Japan must be more responsible for safeguarding its own prosperity and interests. On the negative side, there is a sense that the United States will have neither the capability nor the political will to come to Japan's aid in any but the most extreme circumstances. For example, while it is accepted that the U.S. would do its part to defend Japan from any actual attack, and that the U.S. nuclear umbrella remains effective, there is considerably less confidence that Washington would provide military support to Japan if Tokyo had to deal with a crisis in the South China Sea or the Senkaku Islands. In other words, the alliance may not be useful to Tokyo's efforts to deal with the military contingencies Japan is most likely to face.

Irrespective of the path traveled, whether positive or negative, the end point

is the same. Increasing numbers of Japanese officials believe that, while Tokyo should continue to cooperate with Washington and other regional powers to maintain the peace and stability of the region, Japan should develop a force that is able to operate more independently of the United States, in order to deal with the military contingencies Tokyo is most likely to face.

Much of this thinking is reflected in the report of the Prime Minister's Advisory Group on Defense Issues, published in August 1994. Convened by former Prime Minister Hosokawa and accepted, albeit with reservations, by Prime Minister Murayama, the Blue Ribbon Panel affirms the centrality of the alliance to Japan's defense posture, but also calls for upgrading consultation mechanisms, improving joint training and logistics mechanisms, and enhancing cooperation in command, control, and communications. More significantly, the report calls for Japan to play an active role in shaping the new regional security order by participating in cooperative security efforts, and for allowing regular Self Defense Force units to participate in U.N. peacekeeping operations. Finally, the report in effect advocates reducing force size in order to permit qualitative improvements in weapons systems, including theater missile defense.

It is extremely unlikely that the present socialist-led coalition has the strength or the inclination to effect a wholesale change in Japan's defense posture. However, defense policy eventually could be the issue that separates the socialists from their LDP partners in the coalition. Moreover, as new coalitions evolve, this new view of defense issues is likely to persist, and there is reason to believe that it will be reflected in acquisition and R&D policies. If events in fact do develop in this direction, the United States will face the necessity of making some hard decisions of its own about the way the alliance operates, and especially about channels of communication between the alliance partners and new roles, missions, and capabilities for the Self Defense Force. Dealing with the North Korean nuclear issue will test this capability. Also, it will be necessary to consider very carefully the reactions of other regional powers who, mindful as they are

of the past, will be concerned about any changes in Japan's defense posture.

Defining the Place of Multilateralism in the Regional Security Order

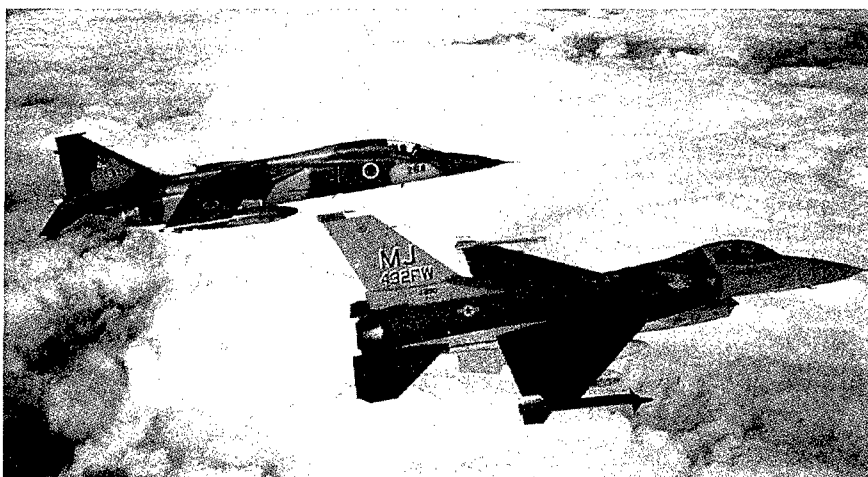
Washington's bilateral security alliances and access agreements form the backbone of the U.S. presence in East Asia. Whether this system will continue to offer the best guarantee of regional security, or whether the security environment would be improved if a larger degree of multilateralism were to evolve, is a major question now confronting the United States. However, extreme caution is required in approaching this issue, as U.S. efforts to assess the advantages of multilateralism could raise additional questions in the region about the durability of U.S. security commitments, and thus encourage speculation about a diminishing U.S. role and presence.

The Trend Toward Multilateralism.

Since 1980, eight multilateral organizations, associations, or agreements have developed or been concluded. Although levels of institutionalization vary and are in some cases quite rudimentary, all of these new institutions appear to have achieved permanent status. Multilateralism has become a fact of regional political life, especially on economic issues, and to a lesser degree in security matters. The interest in multilateralism provides the U.S. with an opportunity to become an integral part of an emerging Asia Pacific community.

Among the factors accounting for the rise of multilateralism, two stand out as being most important. Both have direct implications for U.S. policy.

The first is the broad perception that the U.S. military presence is likely to be reduced significantly before the end of the decade. Regional analysts assess that the force of approximately 100,000 U.S. troops in East Asia envisioned by the *Bottom-up Review* will not become a reality. It is also generally perceived that even if U.S. forces were to remain present in some numbers, the domestic focus of the Clinton administration, the U.S. Congress, and the U.S. public will reduce Washington's willingness to become involved in disputes in Asia, with the possible exception of Korea. In this context, multilateralism becomes, in



A U.S. F-16 and a F-1 fighter of the Japanese Self Defense Force.

the view of some regional powers, a means of placing limits on the influence of any potential hegemon such as China or Japan by enmeshing them within a larger consensual framework. The challenge for Washington is to convince the region's leaders that the U.S. commitment to the security of East Asia is not in doubt.

Second, the momentum generated by success in the economic sphere will continue to spur the growth of organizations devoted to expanding and managing trade, and success in economic coordination may encourage efforts to adopt multilateral approaches to security issues as well. As economic and national security concerns continue to converge, multilateralism in economic affairs will naturally tend to move into the security sector. Issues such as overlapping Exclusive Economic Zones, technology transfer regimes, arms sales, access to trade routes, and environmental security all have both an economic and a security dimension requiring multilateral consultations. Officials in Singapore, Malaysia, and Thailand were frankly surprised at the alacrity with which participants joined discussions at the just-concluded ASEAN Regional Forum. As a result, the organizing committee is reportedly considering a more specific agenda for the next session, which may well convene with an expanded ASEAN membership including Vietnam and Laos. If this occurs, the momentum of the impulse towards multilateral security cooperation will continue its increase.

The Limits of Multilateralism. At present, the effort to promote multilateralism

is centered where it began, in Southeast Asia and ASEAN. At its core, it retains the original focus on consultative mechanisms and economic concerns. Indeed, there is surprising unanimity about the potentialities and limits of this approach. For example, most nations, including the U.S., agree that multilateral activity should continue to emphasize economic issues. They also feel that, where security issues are concerned, multilateralism is most appropriately viewed as a means of enhancing comprehensive security by consultation and cooperation. Although some players, such as Australia and Canada, argue for more rapid progress towards institutionalization of security cooperation, and have offered plans for building such institutional frameworks, this call is regarded with considerable skepticism elsewhere in the region as being premature. Nor does any participant see multilateral approaches to security as an immediate replacement for the present system which centers on the United States and its network of bilateral security alliances. Even China, which may embrace a different view in the future, recognizes that for the present, the U.S. forward military presence provides an essential component of regional stability. Virtually all regional analysts agree that multilateral approaches to managing security concerns must be based upon a reliable U.S. military presence manifested in strong bilateral security relations.

One explanation for this "least common denominator" approach is that it is difficult for nations to agree on any specific agenda for consideration by multilateral fora. For example, with respect to the two major regional flashpoints—the Korean Peninsula and the South China Sea—neither China nor North Korea is willing to accept multilateral management. On the contrary, China defines its claims in the Spratly Islands as a sovereignty issue, while North Korea, for reasons of its own, remains committed to dealing directly with the United States. Because of such limitations, bilateral relations between the region's nations and the U.S. are likely to remain the most important factor in the Asia Pacific security scene for the rest of this decade.

Europe

With the end of the abnormal stability that the Cold War imposed on Europe, the diverse nature of the continent has once again come to the fore. Europe has some of the world's most modern societies, well-established democracies, advanced economies, and cooperative international systems. At the same time, it is home to many relatively poor states, states in which democracy and market economies are struggling to gain a foothold, and regions with ethnic tension and conflict.

This chapter deals with Western, Central, and Eastern Europe, as well as the North Atlantic Alliance, to which the U.S. and Canada belong. The chapter's coverage extends to the Baltic States and Turkey. Russia, Ukraine, and other former Soviet Eurasian states are addressed in Chapter 4. Dividing the Eurasian area into separate chapters may tend to restrict discussion of broad issues such as those dealt with by the 53 states in the Conference on Security and Cooperation in Europe (CSCE), but it breaks up what would otherwise be an inordinately long chapter.

Significant changes are underway in Europe and NATO; some changes predate the end of the Cold War but many flow from its termination. The perceived threat of a massive Soviet military attack has been replaced by new challenges from turmoil in the East and the South. Allies are discussing a new trans-Atlantic relationship reflecting a reduced U.S. military presence in Europe and an enhanced European pillar. Western Europe is increasingly integrating, and Central and East European states are pressing for integration with the West.

Differences in security perspectives have emerged. Northern and Central European states tend to focus primarily on the threat of instability in the East, while Mediterranean states worry more about developments to the south. States in Central and Eastern Europe seek security assurances from the West, primarily out of concern about actual and potential developments in Russia and other states of the former Soviet Union. Conflict in the Balkans raises the specter of European national conflicts so familiar in the past.

There is a range of perceptions of the situation in Europe. Some optimistically see Europe as the wealthiest, most progressive, cooperative, and secure region in the world. They see no real threat to Europe

Evolution of Cold War Security Institutions

Western Europe and NATO

Warsaw Treaty Organization (WTO)

1947

Dunkirk Defense Treaty—UK & France

1948

Brussels Treaty—UK, France, Benelux

1949

NATO created with 12 members

1952

Greece & Turkey join NATO

1954

Western European Union (WEU) created incl. Belgium, France, FRG, Luxembourg, Italy, Netherlands, UK

1955

Federal Republic of Germany joins NATO

WTO created with 8 members¹

1968

Albania withdraws from WTO

1973

Conference on Security and Cooperation in Europe (CSCE) Established (35 original states, West and East)

1982

Spain joins NATO

1990

German unification, expanding NATO and WEU area

GDR withdraws from WTO

Portugal and Spain join WEU

Evolution of Post-Cold War Security Institutions

1991

NATO creates North Atlantic Cooperation Council (NACC), inviting Central & East European and New Independent States of the former USSR to join.

WTO dissolves

1992

Greece joins WEU subject to ratification; Iceland, Norway, and Turkey become associate members of WEU; Denmark and Ireland become observers in WEU.

WEU creates Forum of Consultation, inviting most Cent. & E. European states.

1994

NATO announces Partnership for Peace program, inviting NACC and other CSCE states to participate. WEU offers associate partnership to nearly all Cent. & E. European states, including Baltic states but excluding Albania and other states of former Soviet Union.

Union (EU) states, limit assistance to the East, and increase pressure for reductions in defense budgets and forces. They perceive a lack of leadership within Europe itself and fear the U.S. is no longer as interested or willing to lead the Alliance. They point to a number of problems within individual countries and in their bilateral and multilateral relations, often focusing on the roles of Germany and France. They see the continuing conflict in the former Yugoslavia as calling into question the credibility of the EU and NATO and fear ethnic conflict may spread.

The analysis in this chapter acknowledges the difficulties faced in Europe but is relatively bullish on the ability of institutions such as NATO, the EU, the Western European Union (WEU), and the CSCE to address the problems successfully. This web of security-related institutions with overlapping memberships is increasingly reaching out to states in the East as well as to European states formerly viewed as "neutral."

Defining Trends

NATO Is Adjusting Better than Expected

Some observers maintain that NATO is eroding or that it is an anachronism that should go the way of the Warsaw Pact. Most observers, however, believe that the Alliance has been adapting itself—some would say admirably—for a new era, steadily transforming its political focus, security agenda, and military structures. In NATO's forty-five year history, there have been a dozen summits involving heads of state and government; half of these have occurred in the last seven years, launching major initiatives that demonstrate NATO's desire to stay relevant in a rapidly evolving security environment.

NATO has developed a substantial outreach program through the North Atlantic Cooperation Council (NACC) and the Partnership for Peace (PFP) program, in which NATO's 16 members have engaged in cooperation with more than 20 states in Central and Eastern Europe, Western Europe, and the Commonwealth of Independent States. While some people have

and believe that NATO no longer has a mission and will or should fade away.

Other analysts are relatively pessimistic. They point to the difficulties in achieving European unity. They emphasize continuing economic problems in Western Europe, such as low economic growth and high unemployment, which adversely affect relations among European

¹ Belgium, Canada, Denmark, France, Iceland, Italy, Luxembourg, Netherlands, Norway, Portugal, United Kingdom, United States.

² Albania, Bulgaria, Czechoslovakia, German Dem. Rep., Hungary, Poland, Romania, USSR.

Key Post Cold War NATO Decisions

Brussels Summit, May 1989

Adoption of a Comprehensive Concept for Arms Control and Disarmament that established an interrelationship between arms control and defense. The new concept addressed all types of weapons, and changed the focus from simply achieving reductions to seeking true enhancements to regional security and stability.

London Summit, July 1990

Agreement to review NATO strategic concept of forward defense and flexible response; re-designate nuclear weapons as weapons of last resort; and invite former Warsaw Pact adversaries to establish diplomatic relations at NATO.

Copenhagen Ministerial Meeting, June 1991

Agreement on NATO's core security functions in a new Europe: to provide one of the indispensable foundations for European security; serve as a trans-Atlantic forum on common vital interests; deter and defend against any threat; and, preserve the strategic balance within Europe.

Rome Summit, November 1991

Approval of new Alliance Strategic Concept characterized by dialogue, cooperation and collective defense. The new Concept declared a shift to a more politically active Alliance, spelled out roles for NATO's military in peace and crisis, and called for much smaller, more flexible active force structures. Further, the Alliance created the North Atlantic Cooperation Council (NACC) to deepen the ties to Eastern states begun by the London initiatives for diplomatic relations.

Oslo Ministerial Meeting, June 1992

NATO agreed to support CSCE peacekeeping activities on a case-by-case basis.

Brussels Ministerial Meeting, December 1992

NATO agreed to support UN peacekeeping operations, particularly in the former Yugoslavia.

Brussels Summit, January 1994

NATO materially expanded its ties to the rest of Europe through the Partnership for Peace (PFP) initiative; took steps to create a more responsive military structure with approval of the Combined Joint Task Force (CJTF) concept; strongly supported the concept of a European Security and Defense Identity by offering to make CJTFs and other assets available to the WEU; and, gave approval to begin a major NATO effort to prevent proliferation of weapons of mass destruction.

advocated immediate NATO membership for the Czech Republic, Hungary, Poland, and Slovakia, it became apparent at the NATO summit in January 1994 that the NATO allies were not ready immediately to accept new members into NATO, that further work was needed to develop the NATO relationship with Russia, and that the ground had not been laid for NATO expansion with the U.S. Senate and European parliaments. An evolutionary, step-by-step process leading to the point where NATO expansion seems only natural may stand the best chance of success.

The expectations raised in 1991 by the rhetoric of the Rome NATO summit declaration and the new Alliance Strategic Concept, calling for NATO to promote stability throughout the trans-Atlantic region, have yet to be fulfilled. NATO, however, now supports the initiative to establish a Euro-

pean Security and Defense Identity (ESDI), which is to strengthen the Alliance's European pillar while reinforcing the trans-Atlantic link and enable European allies to take greater responsibility for their common security and defense. NATO has also launched an initiative to develop a concept for Combined Joint Task Forces (CJTF). More will be said later about each of these. The Alliance has also moved from a near-dogmatic belief that it must never tread outside of NATO territory, to the conviction that to remain relevant it must be prepared to operate out-of-area. The experience in the former Yugoslavia, however, may dampen allies' enthusiasm for out-of-area operations.

The Alliance's 1991 new Strategic Concept and related declarations lay down a whole new set of missions. NATO's military was told to expand its horizons to include roles in peacetime and in crisis management, as well as to retain the ability to go to war. In 1992, NATO declared itself prepared to support peacekeeping under the auspices of the CSCE and the United Nations. By 1994, NATO was heavily involved in peace operations in the former Yugoslavia and had drafted a new doctrine for peace operations that is to provide the foundation for future training, exercises, and planning.

NATO's intervention in the former Yugoslavia has been criticized by some as too little and too late, and serious policy differences have emerged among allies. Nonetheless, NATO has had limited success and, more importantly, has gained valuable operational experience in crisis response. NATO has been on extended duty in the Adriatic blockade Operation SHARP GUARD and in Operation DENY FLIGHT over Bosnia. The Alliance's military operations in the former Yugoslavia mark the first time NATO has engaged in combat operations since its founding in 1949. NATO forces were largely responsible for the lifting of the siege of Sarajevo in February 1994. While developments in late fall 1994 make it more problematic, were a peace agreement to be reached, NATO's military leaders have developed contingency plans for Operation DISCIPLINE GUARD which would deploy a peacekeeping force to Bosnia.

As NATO's military missions have changed, forces and command structure have been reduced, reflecting the decreased threat of general war. NATO itself has few assigned forces, and the militaries of nearly all its member states are shrinking. This indicates a strategy of anticipating and managing crises and a growing reliance on reserve forces. NATO's integrated military structure has reduced both the number and size of its commands, consolidating areas of responsibility and streamlining command links.

The focus on political tasks and, for the military, the shift to peace operations and crisis intervention and smaller, more flexible forces are intended to improve NATO's capability for effective crisis management and prevention of war. There is, nevertheless, growing concern that the continued reductions in defense budgets of the allies may forestall the technological modernization necessary to give these smaller forces the needed flexibility and mobility. Such a development would have serious repercussions for the path NATO has committed to follow.

Finally, NATO is making a concerted drive to address emerging tensions and crises before they erupt into military conflict. Evidence of this broader political and economic focus can be found in the NACC workplans. The NACC has set out an ambitious agenda for activities related to defense conversion, privatization, environmental reclamation, economics, and other issues. NACC meetings have issued position statements on conflicts and situations far removed from NATO itself, such as the armed confrontation along the Tajik-Afghan border and the nuclear crisis in North Korea. The respective roles of NACC and PFP are still evolving.

Defense Budgets Are Declining in Most NATO Countries

In real terms, defense budgets in the U.S. and most other NATO member states peaked in the latter half of the 1980's and have been in steady decline since. The U.S. defense budget began its decline early (in 1986) and since 1990 has fallen faster (13 percent versus 10 percent) than the aggregate budgets of other NATO countries. Defense budgets of NATO member states

A Growing Network of Institutions

LEGEND

- = member
- = associate member
- ▶ = associate partner
- ◆ = observer

	United States	Canada	Belgium	France	Germany	Italy	Luxembourg	Netherlands	Portugal	Spain	United Kingdom	Greece	Denmark	Iceland	Norway	Turkey
CSCE Conference on Security and Cooperation in Europe (1973)	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
NACC North Atlantic Cooperation Council (1991)	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
PFP Partnership for Peace (1994) ^a	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
NATO North Atlantic Treaty Organization (1949)	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
EU European Union, formerly the European Community (1957)			■	■	■	■	■	■	■	■	■	■	■			
WEU Western European Union (1954)			■	■	■	■	■	■	■	■	■	6	◆	●	●	●
CIS Commonwealth of Independent States (1991)																

^a NATO members and states that signed a PFP Framework Agreement but not necessarily an Individual Partnership Program.

¹ Includes Cyprus, the Holy See, Liechtenstein, Malta, Monaco, and San Marino.

² "Yugoslavia" has been suspended.

³ Austria and Sweden are not members but, together with Finland (which has observer status), participate in the NACC Ad Hoc

have followed measured, deliberate reductions, and many expect reductions to continue for several more years, with some exceptions. While the aggregate of the allies' real spending on defense is in decline, some countries—Turkey, Norway and Luxembourg—for differing reasons have actually increased their defense budgets in recent years, and some states may strive to maintain current real levels of defense spending.

The reasons for declining budgets are not surprising: the lack of a threat of attack by hostile forces; competing domestic demands long subordinated to Cold War defense priorities; the economic recession; and a perceived urgency to invest in restructuring and "re-invention" of governments and industries in preparation for greater economic competition in the future. Of these reasons, the first—the absence of a visible threat—is the basic rationale that allows consideration of all the rest.

At the same time, reductions are unlikely to gain greater momentum due to concerns over defense industry job losses, the time necessary to effect defense conversion to commercial enterprise, the recent ebbing of recessions (especially in the U.S.), and the

growing realization that there are greater and more costly demands for military power in the post-Cold War era than initially perceived. For the U.S., the many post-Cold War contingencies, both outside and inside the NATO region, and the costs of all-volunteer forces have imposed great strains on U.S. military manpower and equipment.

The trend in declining budgets in NATO is most evident in the area of active force reductions. Generally, the forces of NATO nations have declined by 15 percent since 1990, although in some force indicators (e.g., maneuver brigades, fighter aircraft, and combatant ships) those states with the most modern forces have taken reductions of up to 30 percent (Germany) and 40 percent (U.K. and U.S.). Percentage reductions in major force indicators of NATO forces are projected through 1998 on the accompanying chart.

A less visible yet telling effect of reduced budgets and smaller forces is the reduction in opportunities for NATO forces to train together. Exercises now are fewer and smaller and often rely on simulation technology.

◆	■	■	■	Ireland
	■		■	Austria
	■	3	■	Finland
	■	◆	■	Sweden
	■	3	■	Switzerland
▼	4	■	■	Czech Republic
▼	4	■	■	Hungary
▼	4	■	■	Poland
▼	4	■	■	Slovakia
▼	4	■	■	Bulgaria
▼	4	■	■	Romania
		■	■	Albania
▼		■	■	Estonia
▼		■	■	Latvia
▼		■	■	Lithuania
■	5	■	■	Russia
■	5	■	■	Ukraine
■	5	■	■	Moldova
■		■	■	Azerbaijan
■		■	■	Georgia
■		■	■	Kazakhstan
■		■	■	Turkmenistan
■		■	■	Armenia
■		■	■	Belarus
■		■	■	Kyrgyzstan
■		■	■	Tajikistan
■		■	■	Uzbekistan
		■	■	Bosnia-Herzegovina
		■	■	Croatia
		◆	■	F.Y.R. Macedonia
		■	■	Slovenia
	2			Yugoslavia
		■		Others ¹

Group on Cooperation in Peacekeeping.

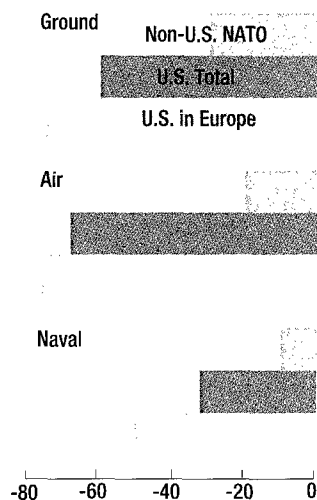
⁴ Signed "associate agreement."

⁵ Signed "partnership and cooperation agreement."

⁶ Membership pending ratification.

(11/94)

Decline in Major Force Indicators, 1990-98 (percent)



SOURCE: Report to U.S. Congress, Secretary of Defense, April 1994.

NOTE: It is important to note that this chart, in focusing on percentage changes, does not reflect the comparative size of U.S. and non-U.S. NATO forces nor their quality, which is affected by such things as length of service and training.

The arsenal of NATO integrated forces and infrastructure, which has been ready for Europe's defense and often tapped for contingencies from the Middle East to Africa to the Falkland Islands, is dwindling significantly, and NATO's superior multinational experience from decades of collective training is waning even more quickly.

Western Europe Is Deepening and Broadening Its Integration

The transformation of the European Community into the EU is the most recent achievement of a long, often tedious, and yet persistent integrative process that has been underway since shortly after World War II. Before 1991, integration in Europe was confined to trade and related economic policies. With the creation of a single market—which was officially inaugurated on January 1, 1993, although not all aspects have yet been fully implemented—economic integration reached a new plateau and now appears to be all but irreversible, though the tendency to suffer occasional setbacks can be expected to continue.

In the early 1990s, the integrative process spread to the social, political, security, and defense arenas. With the signing of the Treaty on European Union—the Maastricht Treaty—in December 1991, integration was broadened to include both Cooperation on Justice and Home Affairs and development of a Common Foreign and Security Policy, with provision for an eventual defense component. A Common Defense Policy is now envisaged. How deep such integration will go and how quickly it will progress are matters for speculation. While few expect Europe to stop at the single market stage, progress is likely to be cautious and evolutionary, with periods of apparent backsliding, as EU members struggle to compromise on the way forward. The unexpected delays in ratifying the Maastricht Treaty in 1992–1993 and the weeks of public debate over a new successor EU Commission President in spring 1994 are examples of the difficulties faced in integration. The most important challenges for the EU in the next several years will be addressed at the Intergovernmental Conference set for 1996.

As the EU pursues deeper internal integration, it is also broadening its geographic reach. The 12 members in 1994 will become 15 in 1995, with the addition of Austria, Finland, and Sweden. Six countries from Central and Eastern Europe have signed association agreements and could start entering the Union by the beginning of the next century. How effectively the EU could coordinate its activities with in excess of twenty members is a major question, but the Union does seem committed to further expansion.

The accession to the EU of Austria, Finland, and Sweden will increase the economic power of the EU. On the other hand, it will also take some adjusting to accommodate the three new “neutral” states; with current member Ireland, more than a quarter of EU membership will comprise states formerly described as “neutral.” The EU will also share a new long border with Russia in Scandinavia. If East European states are eventually admitted, this will have even greater implications in the context of addressing issues beyond those traditionally discussed by NATO allies.

Parallel to integration in the EU, the WEU, since 1987, has gradually expanded its activities, both operationally (participating in the Persian Gulf War and operations in the former Yugoslavia) and politically (moving its headquarters to Brussels and absorbing the functions of the defense-oriented Eurogroup and the armaments cooperation-oriented Independent European Program Group). The WEU has also expanded its membership from the seven states that founded it in 1954 to nine members (with a tenth—Greece—awaiting membership ratification), two observers, three associate members, and nine associate partners. At half the WEU's meetings, when all are invited to attend, there are 24 states represented.

The WEU is now the most visible embodiment of the ESDI and the strengthening of the European pillar within the Alliance. Most observers expect ever-closer WEU ties with both the EU and NATO.

The trend in U.S.-EU relations is toward increased ties and greater collaboration on global issues. Potentially, the EU has the collective strength to be Washington's most significant partner, and the U.S. and

NATO and Partnership for Peace



EU already work together on many security issues. In 1990, the U.S. and the EU agreed to establish high level bilateral contacts, and there are indications that both sides would like to see cooperation grow after the 1996 EU Intergovernmental Conference.

Central and East Europeans Are Struggling for Internal Reform While Seeking Integration With the West

Events in Central and Eastern Europe have been in fast-forward over the past five years. Having experienced three distinct periods since the revolutions of 1989–90, the region is now poised for another shift.

Initial Euphoria: In 1989–90, Central and Eastern Europeans experienced euphoria, stemming from their successful revolutions and optimism about establishing democracies and market economies and joining NATO and the EC. This period saw German unification and NATO's extension of a "hand of friendship" to the East.

Return to More Cautious Optimism: In 1991 came the disintegration of the Warsaw Pact, withdrawal of Soviet forces from Hungary and Czechoslovakia, the failed coup in the Soviet Union, and a NATO Summit which resulted in the new NATO Strategic Concept, the creation of the NACC to engage the East, and the initiation of military ties with the East. Central and Eastern Europe's initial euphoria turned to more cautious optimism.

Increasing Skepticism: By 1992 and 1993, the Soviet Union had disintegrated, and Boris Yeltsin initially acquiesced in but subsequently opposed the bids of several nations in Central and Eastern Europe to join NATO. NATO and EU hesitancy to embrace Central and Eastern Europe contributed to pessimism about the prospects for the extension of Western security institutions and economic support to the East, while Russia's domestic turmoil and entanglements in the "near abroad" led to increased skepticism about Russia's democratic development. Greater realism about the time frame for a successful economic transformation began to set in. Voters in Lithuania and Poland in 1993—and in Hungary, Slovakia, and Bulgaria in 1994—expressed their frustration at the ballot box, returning ex-communists to power.

Testing NATO: The fourth period, beginning in 1994, has seen Central and East Europeans reluctantly resigned to a slower process of integration than they wish but willing to participate in cooperative arrangements, testing Western intentions. NATO's Summit in Brussels in January adopted the PFP program, suggesting possible eventual membership in NATO through PFP participation and the possible inclusion of forces of PFP partners in the newly conceived Combined Joint Task Forces (CJTFs) presumably for out of area contingencies. Central and East Europeans, increasingly skeptical about Western intentions, are pressing NATO to clarify

Ethnic Homogeneity of Eastern European Nations

Titular Nationality	Largest Minority	Other
Poland	(Germans)	
Hungary	(Germans)	
Czech Republic	(Slovaks)	
Slovenia	(Croats)	
Albania	(Greeks)	
Romania	(Hungarians)	
Slovakia	(Hungarians)	
Bulgaria	(Turks)	
Serbia		
Lithuania	(Russians)	
Croatia	(Serbs)	
FYR Macedonia	(Albanians)	
Estonia	(Russians)	
Latvia	(Russians)	
Bosnia	(Serbs)	

SOURCE: CIA

NOTE: After the titular nationality group, the group in parenthesis is the largest minority group.

whether participation in the alliance's new PFP program is truly considered a step toward NATO membership.

If NATO (and the EU) appear to defer indefinitely membership for new entrants from the East, Central and East Europeans could become disillusioned and seek some alternative security arrangements, although working out such arrangements would not be easy. Poland, for example, has been establishing ties with Germany and France, which could provide the basis for a trilateral security group. Poland has also been developing ties with Ukraine; if Ukraine remains independent, a Polish-Ukrainian relationship could provide security assurances in the future vis-a-vis larger neighbors. Finally, a strong pan-Slavic pull within the Polish military could provide the basis for some accommodation with Russia, depending on what happens there.

Ethnic Tensions Are Widespread But Largely Under Control Except in the Former Yugoslavia

Europe has a mixture of ethnic situations, including states that are nearly ethnically homogenous and states with a high degree of ethnic heterogeneity. Many European states also have increasing numbers of immigrants, some coming from former colonies but many increasingly coming from Southern and Eastern Europe seeking jobs and relief from ethnically-based conflict.

Ethnic tensions are, in general, being managed peacefully in Western Europe. The German government has been able to reduce domestic violence against immigrants and foreigners. In Northern Ireland, the ceasefires announced in late August by the Irish Republican Army and in October by armed Protestant militants are promising, although it remains to be seen whether this signals the beginning of the end of 25 years of sectarian violence there.

CSCE has been helpful in developing conflict-prevention mechanisms focused on diplomatic measures to keep potential conflicts from erupting into violence. The fruits of these efforts can be seen in the

Baltics, in the mitigation of problems between Slovakia and Hungary, and in Macedonia. The French initiative on stability talks also seeks to use diplomacy to prevent conflicts between states.

In Central and Eastern Europe, three types of ethnic minorities can be distinguished:

- National minorities in border regions where boundary lines separate elements of a group from the main body of their ethnic nation (such as Hungarians in Vojvodina, Transylvania, and Slovakia);
- National minorities separated by great distances from their home country (such as German minorities in Romania);
- Exceedingly mixed ethnic populations in certain regions (such as the former Yugoslavia).

These three types of situations give rise to different problems and conflict resolution approaches. The problem of frontier minorities can be addressed by special agreements between neighboring states or negotiated revisions to existing frontiers, although the latter are politically difficult. Tensions arising from the presence of isolated minorities can be reduced by providing adequate legal protection for minority rights. In mixed regions, guarantees of minority rights from the government in control of the region are also crucial, as is promoting peaceful coexistence among the groups that consider the region their home.

Although several areas of ethnic tension remain in Central and Eastern Europe, violence has generally been avoided, with the glaring exception of the former Yugoslavia. In most areas, the interests of ethnic minorities have been accommodated by peaceful means.

Poland exemplifies a twentieth-century Central European trend toward ethnic homogenization within national borders. When Poland achieved independence in 1918, Poles comprised only 60 percent of the population. By 1990, as a result of border adjustments and mass migrations, they comprised nearly 98 percent. A good-neighbor treaty with Germany has addressed the concerns of the 1.3 percent German minority.

The January 1993 division of Czechoslovakia into a generally ethnically homogenous Czech Republic and a somewhat less homogenous Slovakia took place on peaceful, if perhaps not entirely amicable, terms. However, ethnic tensions could

Map of Distribution of Ethnic Groups in Former Yugoslavia, Pre-conflict



SOURCE: CIA

evolve concerning the Hungarian and Czech minorities in Slovakia.

Hungary is also nearly ethnically homogenous. Tensions arise, however, over the status of Hungarian minorities in neighboring states—notably in Romania (2.3 million Hungarians), Slovakia (600,000 ethnic Hungarians), and the former Yugoslavia (400,000 ethnic Hungarians primarily in the Vojvodina autonomous republic of Serbia). Hungary and Romania have not yet signed a good neighbor treaty, and Hungarian relations with Slovakia and Serbia have not always been cordial.

Romania is nearly 90 percent ethnic Romanian but also has a relatively large ethnic Hungarian population (8.9 percent). Issues involving Hungarians in the Transylvania area have been the most contentious.

Bulgaria has potential ethnic problems with the 8.5 percent of its population who are ethnic Turks, as well as with several

smaller minorities. Official discrimination against Turks was terminated under a new Bulgarian government, and this has contributed to warming of Turkish-Bulgarian relations. However, Bulgaria risks being drawn into conflict in the ex-Yugoslavia over ethnic issues, particularly if hostilities extend to Macedonia.

Sizable ethnic Albanian populations exist in states neighboring Albania, including Serbia and Montenegro (where 14 percent of the population is ethnic Albanian, concentrated in the Kosovo region), and Macedonia (which is 21 percent ethnic Albanian).

Finally, the treatment of large ethnic Russian minorities in the three Baltic states was a major issue in negotiations on Russian troop withdrawals from that region, especially in Latvia and Estonia.

Europe's Southern Region Faces Increasing Instability

Instability in and near Europe's southern region is an increasing security concern. Of immediate and primary concern is the conflict in Bosnia and the danger that it will expand. Beyond this, instability in North Africa and terrorism from the Middle East pose a number of risks to Europe. Tensions between Greece and Turkey have also increased significantly.

Former Yugoslavia. The bloody three-year conflict and ethnic hatred among and within the successor states to Tito's Yugoslavia present a major challenge to post-Cold War Europe. Not since World War II has Europe experienced the types of horrors seen in the former Yugoslavia—ethnic cleansing, indiscriminate shelling of civilian centers, concentration camps, organized rape as an instrument of intimidation, and mass movements of refugees. Beyond what has already been experienced, there is the potential that the conflict could expand across borders.

The institutions created by the international community during the Cold War to manage crises have failed to end the violence in the former Yugoslavia, although they have helped to moderate it. The inability of the EU and its Atlantic and Eurasian partners to stop the violence casts a shadow over the concept of a new European security order.

North Africa and the Near East. The risk of civil war in Algeria, instability elsewhere in North Africa, and the security risks posed by the irresponsible Libyan regime have serious implications for security in Southern Europe. To the east, the Middle East peace process has lessened the threat of full-scale war in the Levant but has increased the threat of terrorist reactions by opponents of the peace process. The situation in Iraq remains a major concern to neighboring Turkey and others.

This instability poses risks in the Mediterranean basin and to Southern Europe itself. The safety of Americans, Europeans, and others in the North African states is an increasing concern, as is the waxing potential for terrorism emanating from this part of the world. Many countries in Southern Europe rely on natural gas and oil from North Africa and would be seriously affected by any disruption. Major conflict or civil war in North Africa could also result in a massive flow of refugees to Southern Europe; there are already hundreds of thousands of North African immigrants in Southern Europe, and some estimate that a major conflict in North Africa could lead to 500,000 to 1,000,000 refugees.

Greece and Turkey. Tensions between Greece and Turkey have increased lately; if not moderated, these could pose significant problems for cooperation in NATO. Activity by each nation's air and naval elements in the Aegean are cause for concern, and the situation in Cyprus continues to be a source of tension. The conflict in the former Yugoslavia, with the potential for Turkish support for Muslim elements in Bosnia (in tension with Greek ties to Serbia), has made it increasingly difficult to moderate the tensions between Greece and Turkey. Efforts by NATO allies and others to persuade Greece to drop its blockade of the former Yugoslav Republic of Macedonia have been unsuccessful to date.

Turkey also faces instability in neighboring Iraq under Saddam Hussein, as well as from terrorists among its own sizeable Kurdish minority.

U.S. Security Interests

Europe is of vital importance to the U.S. and has been a central focus of American defense efforts. Because of the strategic importance of Europe and its resources and the close ties between America and Europe, the U.S. three times in this century—in World War I, World War II, and the Cold War—has sent American military forces to Europe to help prevent aggressive powers from dominating Europe by force.

Europe includes many of the most politically, economically, and militarily advanced countries in the world, countries fully engaged and influential at the highest levels in international politics, trade and commerce, assistance programs, and defense and security collaboration. European states outnumber any other region of the world in the UN Security Council and the two institutions of the most advanced economic states—the G-7 economic summit structure and the Organization for Economic Cooperation and Development.

The U.S. has strong political, economic, social, and cultural ties to Europe. In many areas of economic activity, Europe is of greater importance to the U.S. than any other region of the world; trade is a notable exception, as U.S. trade with Asia now exceeds U.S. trade with Europe.

The majority of Americans claim European ancestry or ethnic origin. In the 1990 U.S. Census when 249 million people were counted, 164 million indicated specific foreign ancestries or ethnic origins; 143 million of these—87 percent of those indicating specific foreign ancestries and 57 percent of the total population—indicated European ancestries. Moreover, historical and political-philosophical ties between the U.S. and Europe are obvious, deep, and too numerous to mention.

Many European states have modern, deployable militaries capable of contributing to collective security in NATO and outside the NATO area. In the Persian Gulf War, for example, European NATO allies and friends in Europe contributed significantly to coalition efforts. Many countries in Europe provided rights for coalition partners to overfly their territory en route to and from Southwest Asia.

U.S. Population Claiming Sole or Primary European Ancestry or Ethnic Origin

(millions/percent)

	millions	percent
German	45.6	18.3
Irish	22.7	9.0
English	22.7	9.0
Italian	11.3	4.5
Polish	6.5	2.6
French	6.2	2.5
Scot-Irish	4.3	1.7
Scottish	3.3	1.3
Dutch	3.5	1.4
Swedish	2.9	1.2
Norwegian	2.5	1.0
Welsh	1.0	0.4
Other West European	5.1	2.1
3 Baltic state groups	0.6	0.2
Former Yugoslavia	0.8	0.3
Other East Europeans	3.5	1.4
Totals	142.6	57.3

SOURCE: US Census, 1990

At least six key U.S. security interests can be identified for the Europe and NATO area:

Ensuring a Free, Secure, Peaceful, and Cooperative Europe

The U.S. has a vital interest in a free, secure, peaceful, and cooperative Europe and North Atlantic area. Ancillary to this is a Europe that is democratic and prosperous, open to U.S.-European trade and investment opportunities, and supportive of political, economic, and military cooperation with the U.S. in Europe and other important parts of the world. The U.S. wants a Europe that abides by international law and humanitarian principles endorsed by the UN and the Conference on Security and Cooperation in Europe. The U.S. seeks an expanded zone of peace and security throughout Europe. The President has

cited as goals "a free and undivided Europe" and "an integrated democratic Europe cooperating with the United States to keep the peace and promote prosperity."

Trends in trans-Atlantic cooperation, integration in Western Europe, and outreach to the East are favorable to these interests, while the continuation and possible expansion of conflict in the Balkans and growing instability to the east and south are not.

Maintaining Mutual Security Commitments and a Strong, Adaptive NATO

Commitments to the security of Europe and the North Atlantic area are enshrined in the North Atlantic Treaty, in which the U.S. and its NATO allies have agreed that an attack against one would be considered an attack against all, and that each ally would take whatever action it deemed necessary, including the use of force, to restore and maintain security. The U.S. has a strong interest in maintaining support among signatory countries for the security commitments reflected in the NATO treaty, as well as in other security instruments.

The continued U.S. military presence in Europe reflects Washington's commitment. At the end of Fiscal Year 1993, of 308,000 U.S. military personnel deployed in foreign areas, nearly half—149,000—were stationed in Germany or elsewhere in Europe. President Clinton has made a commitment to maintain approximately 100,000 U.S. military personnel in Europe for as long as the European allies want them there. (There are additionally some 17,000 personnel afloat in the Europe area.)

Critical to these wider interests is maintaining the viability and vitality of NATO as an institution which is able, as necessary, to deter and defend against any attacks on its members. NATO has been a key element in maintaining general peace in Europe for the last 45 years, unprecedented in modern times. A strong NATO can also play a critical role in promoting peace and security beyond NATO's borders. Invaluable for this are NATO's integrated command structure, its forces which

Economic Importance of Europe for the U.S.

Europe has more of the Gross World Product than any other region—in 1992, 35% at market exchange rates and 27% at purchasing power parity exchange rates.

Europe was the U.S.' second-largest customer in 1993, taking 31% of U.S. exports of goods and services exports (exceeded only by Asia with 33%).

Europe was the U.S.' second-largest supplier in 1993, providing 29% of U.S. imports of goods and services, (exceeded only by Asia with 41%).

Europe provides the U.S. with relatively balanced trade, with a \$7 billion U.S. merchandise trade deficit in 1993 (compared to \$115 billion for Asia).

About 50% of U.S. direct investment abroad is in Europe, and over 60% of foreign direct investment in the U.S. is from Europe.

Nearly 3 million Americans are employed in the U.S. by European-owned firms, and 1.5 million American workers are supported by U.S. exports to Europe.

cooperate in areas of intelligence and warning, command and control, doctrine, equipment and joint training, and the base structure in Europe and the Atlantic.

The general trend in maintaining the Alliance's viability and vitality is favorable to U.S. interests, although differences among allies on issues such as policy regarding former Yugoslavia can sometimes challenge Alliance cohesion. Programs to reach out to the East, promote European integration and ESDI, develop new security concepts such as CJTF, engage carefully and effectively within policy limitations in the Balkans, and pursue arms control and counter-proliferation initiatives can help to maintain a strong NATO, if managed properly. An unfavorable trend is the increased tension between Greece and Turkey, which diminishes the cohesion and strength of the Alliance in its strategically important southeast corner. Alliance interests would be served by efforts to ameliorate relations between these two allies and promote their sense of security.

Encouraging European Integration, Consistent with Open Relations with the U.S. and a Strong NATO

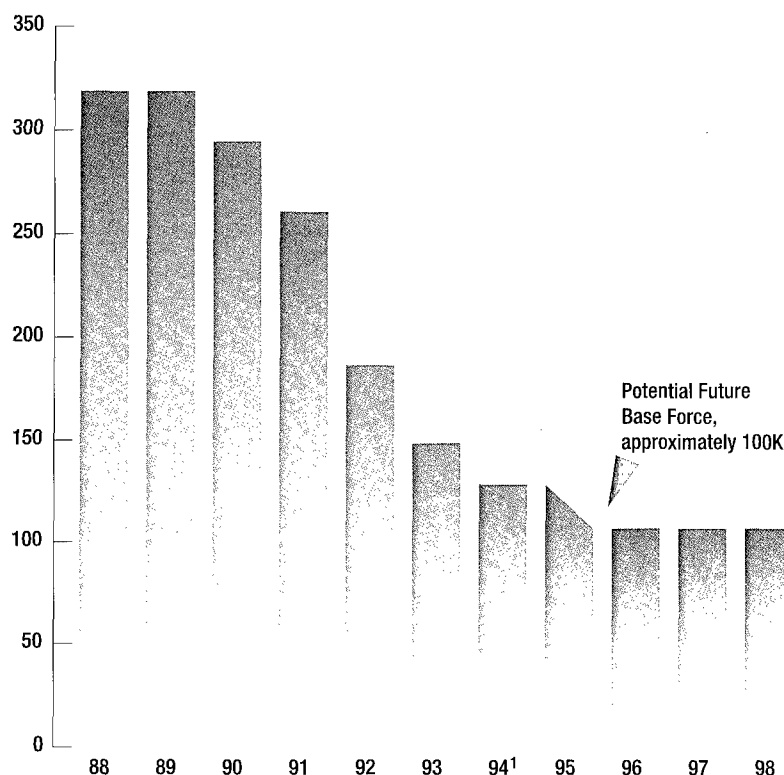
The U.S. has long supported European economic and political integration. With the January 1994 NATO Summit, the U.S. convinced the European allies that it fully and firmly supported both an ESDI that could be "separable but not separate" from NATO and the role of the WEU as embodying the European pillar of NATO. Concerned that if not managed correctly European integration could freeze out the U.S. and Canada and undercut NATO, the U.S. encourages European integration through a transparent process that permits continued close relations and collaboration between Europe and the U.S. and Canada. The U.S. supports establishment of an ESDI that is consistent with maintaining a strong NATO.

Close cooperation on security issues between NATO and the WEU, including transparency of planning and activity and reciprocal access to information on such issues as development of concepts for CJTF, will be critical.

Maintaining Access to Military Facilities in Europe and the North Atlantic

About 70 percent of all the military sites used by U.S. forces in foreign territories are located in Europe and the North Atlantic. These facilities have played important roles supporting U.S. forces in Europe and operations outside Europe. For example, in the Persian Gulf War, 16 states in Europe provided en route staging support at 90 airfields as the buildup accelerated. More than 95 percent of flights to Southwest Asia were staged through Europe, consisting of about 2,200 tactical and 15,402 strategic airlift sorties. Additionally, tanker aircraft operated from ten airbases in seven European countries. Coalition forces operating from Turkey used NATO-developed bases there; bases in the U.K. and elsewhere supported B-52 bomber operations. More recently, bases and facilities in Europe have played indispensable roles

U.S. Military Personnel in Europe (Excluding Afloat), 1988-98 (thousands—end fiscal year)



¹ As of June 94.

SOURCE: SecDef Annual Report Jan. 94 and DoD/WH.

in U.S. humanitarian and other peace operations in areas of the former Yugoslavia, the Middle East, Africa, and even the former Soviet Union.

As the U.S. reduces its forces in Europe, it has been reducing the number of facilities used there.

Promoting Successful Reform and Increased Security for Central and Eastern Europe

It is in the U.S. interest to promote within Central and Eastern Europe democracy, market-based economies, and effective, defensively-oriented militaries responsible to duly-elected civilian governments. Democracies and defensively-oriented militaries tend not to fight each other, and market economies offer the best chance for prosperous and peaceful societies.

It is also in the U.S. interest to encourage countries of Central and Eastern Europe to pursue, as a way of improving security, increased bilateral and multilateral ties—a web of contacts extending to the U.S., other NATO members, and regional neighbors and institutions.

On balance, the trends are favorable, with the exception of developments in former Yugoslavia.

Helping to Prevent, Contain, and Resolve Ethnic Conflicts

The U.S. has an interest in helping to prevent, contain, and resolve conflicts in Europe, with particular emphasis now on ethnic quarrels which are most prevalent. Interests can best be served by early diplomatic efforts to defuse tensions before they erupt into violence; once lives are lost, it is far more difficult and costly to contain or stop a conflict.

Trends are generally favorable in both Western and Eastern Europe, with the notable exception of Bosnia.

Key U.S. Security Policy Issues

Developing NATO's Partnership For Peace Program

NATO began its outreach program to the East in July 1990 with a declaration issued at the NATO Summit in London, followed by the establishment of the NACC at the November 1991 Summit in Rome. While the NACC had laudable goals of establishing security contacts and providing technical assistance to Eastern states, its limitations immediately became apparent. The immense diversity among NACC partners (say, between Poland and Uzbekistan) led to calls for a more differentiated approach and to increasing demands for membership in NATO by the westernmost NACC members. At the same time, disagreements among the allies over how far NACC should go in satisfying operational requirements of the partner states (as opposed to serving mainly as a consultative body) further limited the scope of NACC activities.

U.S. Forward Based Forces Available in Europe

Approximately 100,000
Shore Based Forces

USAREUR

Credible Corps
2 Heavy Div W/2 Bdes each
Combat Support/Service
Support

USAFE

2.33 Fighter Wing Equivalent
Composite Wings
Theater Airlift, Tankers

USNAVEUR & MARFOREUR

Sixth Fleet in Mediterranean
Carrier Battle Group
Amphibious Ready Group

SOCEUR

Joint Special Operations Task
Forces
Land, Air, Naval Elements

SUPPORT AND REINFORCE- MENT INFRASTRUCTURE

Source: U.S. EUCOM

NATO's most recent response came in January 1994 when NATO Summit leaders in Brussels adopted the PFP program, the goals of which are to: (1) enhance operational cooperation between NATO and the partner states; (2) develop defense transparency among partner states; (3) advance the development of democratic means of control over the military in the newly emerging democracies; and (4) provide a vehicle to help the partners realize that (unlike NACC, where NATO foots the bill) participation in NATO activities has obligations as well as benefits.

Since January, more than 20 states have become PFP partners, including the Central and East European states, Sweden, Finland, Slovenia, Russia, Ukraine, and several other ex-Soviet Eurasian states. Offices have been constructed at both NATO Headquarters in Brussels and at the Supreme Headquarters Allied Powers Europe in Mons, Belgium, to accommodate representatives of these states. Exercises involving forces of NATO members and new PFP partners have been planned, and some have already been conducted.

Implementation of PFP, if not handled carefully, could, to one degree or another, have some unwanted, unintended consequences.

Sub-Regional Cooperation. Rather than encouraging forms of sub-regional cooperation and stability—such as that established by the Czech Republic, Hungary, Poland, and Slovakia (the so-called “Visegrad” states)—the PFP program could have an unintended, unfortunate effect of transforming the region's potential security partners into competitors, diverting attention from cooperation with neighbors and toward a race to see which nations are most willing and able to meet the West's standards and expectations.

NATO could minimize the potential negative consequences of its bilateral (“16 to 1”) agreements with each PFP partner by encouraging partners to cooperate directly with their neighbors, ensuring that each agreement remains transparent to neighbors, and supporting Visegrad, Balkan, and Baltic common security activities.

Democratic Reformers. By deferring the NATO membership question in developing PFP, NATO leaders appear partly to

have responded to a perceived need to placate Russia and support Yeltsin and reformers in that country. NATO must work now to ensure that PFP also supports democratic reformers in Central and Eastern Europe and does not have the unintended effect of undermining their political bases of support, thereby undermining the credibility of the U.S. and NATO in Central and Eastern Europe.

Russians and Central and East Europeans have traditionally seen security as a zero-sum game where one side wins and the other loses. To the extent that Central and East Europeans perceive the PFP as the West succumbing to Russian pressure in terms of PFP being used as a stalling device against NATO membership, the West will lose credibility and influence.

If the PFP does not soon generate highly visible programs that bolster support for the region's reform-oriented leaders, then the prestige, influence, and support that NATO presently enjoys may be lost on future Central and East European leaders and publics. For such projects to be successful and visible, financial resources will be necessary. President Clinton recognized this when he announced on a trip to Poland in July 1994 that he would request \$100 million for Fiscal Year 1996 to support PFP programs, of which \$25 million would go to Poland and \$10 million to the Baltic states. The challenge for the U.S. is to energize other NATO allies and partners to commit resources to PFP programs, and to work with those allies to initiate cooperative programs with PFP partners, as Great Britain and Denmark have done with the Baltic states.

Civil-Military Relations. Military rather than political forms of cooperation have been emphasized in PFP. As a result, PFP could have a number of unwanted and unintended consequences. First, states with stronger military traditions and institutions could have an advantage. Second, pushing the military to the forefront in the East-West partnership could work against efforts in Central and East European states to establish control over their militaries. Emphasizing the political dimension of

PFP and working to ensure a civilian Ministry of Defense component would moderate this potential negative effect.

Security Perceptions—Ideals and Reality. By intentionally leaving vague any detailed criteria and timeframe for NATO admission in order not to exclude anyone, PFP suggests an undifferentiated Europe, which does not have much credibility in Central and Eastern Europe. Many Central and East Europeans believe that democratic reform has already failed in most of the former Soviet Union, and that some form of authoritarian rule there is likely for the foreseeable future. They also fear that Russia is moving toward an imperial foreign policy that threatens their security and their democratic governments.

PFP, if provided adequate resources and implemented properly, may reinvigorate NATO and herald a new European security architecture. If it is not provided adequate resources and is implemented carelessly, however, PFP could undermine European security and widen the gulf that separates East from West.

Managing the NATO Expansion Issue

Though NATO has resisted the Central and East European nations' desire for immediate membership in the Alliance, the PFP proposal has expressed NATO's long-term commitment to expand. Active participation in PFP is seen as a necessary—although not sufficient—condition for eventual NATO membership. NATO has left vague the time frame for possible expansion and has not provided any detailed criteria for determining qualification for membership beyond the NATO Treaty's Article 10 reference to a state being in a position to further the principles of the Treaty and contribute to security in the North Atlantic area.

As the Alliance moves forward with its study on implications of NATO expansion and what it takes for a state to join NATO, and as it eventually makes decisions on NATO expansion, it will face several key questions, such as: why NATO expansion is necessary when few perceive

any immediate military threat to the East; whether NATO expansion will be counter-productive in terms of drawing new dividing lines in Europe and isolating states left out; whether expansion will cause adverse reactions against NATO and against reformers in those states not included; and, what demands expanding NATO defense commitments will place on Western forces and defense budgets, which are now being reduced.

NATO will want to proceed carefully, balancing the desires of Central and East European states to be fully reintegrated into Europe and the desire of NATO allies to project security eastward, with concerns about the seriousness of extending new security guarantees. NATO will also have to balance the view that NATO expansion can help keep NATO vibrant and alive, with the view that NATO expansion will be a divisive issue in an Alliance of 16 members already seriously troubled over Bosnia and in need of clarifying a new trans-Atlantic (West-West) relationship. NATO will need also to balance its intent to control its own destiny and not be subject to a veto by outside states such as Russia, with its concern not to undercut reformers and promising developments in countries that are not invited immediately or even eventually to join NATO. Russian President Yeltsin has warned of a "cold peace," and much will depend here on the nature and strength of relationships that NATO and others in the West establish with Russia and other Eastern states.

To balance these interests, NATO is taking careful and measured steps to strengthen PFP. NATO is also moving to address what internal steps are required in NATO to eventually expand membership and to assess the implications of expanded membership. NATO will also help prospective members understand what NATO membership entails. Consultations will be required to determine how to frame the expansion debate in NATO publics and parliaments, how eventually to decide which interested states should be admitted to NATO and when, and how to advance NATO relationships not only with those states that may initially join NATO but also with other PFP partners not expected to join NATO at the outset or even eventually.

Developing Combined Joint Task Forces

The CJTF initiative, approved at the January 1994 NATO summit, is intended to provide NATO a powerful, new organizational concept for responding to crises by rapid deployment of forces. This initiative is designed to: (1) satisfy the requirements of the NATO Strategic Concept for more flexible and mobile forces; (2) provide a vehicle for NATO participation in crisis management and peace support operations; (3) facilitate operations with non-NATO nations such as the PFP partners; and (4) permit the use of NATO infrastructure and forces to support the evolution of ESDI.

While no official definition of a CJTF has been adopted, NATO Summit language suggests that the term refers to a multinational, multi-service task force consisting of NATO—and possibly non-NATO—forces capable of rapid deployment to conduct crisis management and peace operations of limited duration under the control of either the NATO military structure or the WEU. There is a presumption in NATO that CJTF operations would be beyond NATO's borders. NATO CJTFs are expected to be a hybrid capability that combines the best attributes of coalition and alliance forces: rapid flexible crisis response and a trained, ready, multinational, multi-service force backed by an in-place infrastructure.

The WEU is also working on the CJTF concept and appears to envisage CJTFs that are smaller than what NATO has in mind but employed for similar missions. The WEU may want to address early on the possibility of working with NATO and seeking the use of NATO assets, such as the SHAPE Technical Center, for its own CJTF planning. NATO insistence on fully developing the CJTF concept would help guard against NATO's slipping into the role of "Europe's military hardware store." Fully developing the concept would require resolving the thorny issue of command and political control over operations involving NATO forces in operations beyond the direct defense of NATO territory addressed in Article 5 of the NATO Treaty or under WEU. Systematic cooperation between NATO and the WEU in assembling and deploying CJTFs will be crucial to preserving the trans-Atlantic nature of the Alliance.

While the geographical areas in which NATO would deploy a CJTF is first of all a political question, military capabilities and limitations will also shape the decision. In contemplating the regions where NATO CJTFs might be deployed, it can be assumed that any mission will aim to protect Alliance interests. Likely interests include preservation of peace in the lands and waters immediately adjacent to NATO territory. Similar security interests might extend to distant areas where conflict could threaten European security and stability.

CJTF logistical support will be a major challenge for an alliance that has known only interior lines of communication, fixed bases, and a wealth of host nation support. NATO will have to adjust to rapid deployments, long and potentially unsecured lines of supply and communication, and minimal base facilities.

Another major challenge will be the creation of requisite communications and information systems. A deployed CJTF headquarters must have not only the traditional rearward, lateral, and forward military linkages, but also links with local governments, non-government organizations, and international agencies. For the time being, CJTFs will be heavily dependent on U.S. national assets for strategic and operational support in communications and intelligence.

Many questions surrounding the implementation of the CJTF concept are virgin territory for NATO military planners, among them the division of labor among Major NATO Commands (MNC), Major Subordinate Commands (MSC), and a CJTF during operations; the degree of interoperability of on-hand communication; the availability of intelligence; training and exercise requirements and their costs; and the need for a detailed assessment of movement requirements of a CJTF. NATO military staffs have begun to tackle these issues.

A special aspect of adapting a rapid development capability to a consensus-based alliance is the case in which a nation assigns personnel to a CJTF headquarters in peacetime but withholds consent to deploy them to a certain out-of-area crisis. This and other issues will require time to

Operations In and Around Former Yugoslavia

PROVIDE PROMISE:

An operation, controlled by a joint task force headquarters, that provides humanitarian assistance via military aircraft to people of Bosnia.

As of 20 September 1994, the U.S. had flown 3,746 sorties into Sarajevo where they delivered 46,482.5 metric tons of cargo (NATO allies had flown an additional 6,632 sorties); U.S. had also air-dropped to needy people in Bosnia 17,482.4 metric tons of food, 220.4 metric tons of medical supplies, as well as several thousand tons of non-food supplies.

SHARP GUARD:

NATO-led, U.N. Chapter VII peace-enforcement operation, with WEU participation, to enforce U.N. sanctions in the Adriatic Sea.

Operation has involved two U.S. surface ships and a submarine and 18 other allied surface ships from 10 countries. As of 15 September 1994, allied ships had challenged 39,051 ships, stopped or boarded 2,955, and diverted and inspected 778.

The U.S. ceased enforcing the arms embargo with respect to Bosnian government forces in mid-November.

DENY FLIGHT:

NATO-led, U.N. Chapter VII peace-enforcement operation using airpower to deny military flights to warring parties, protect U.N. Protection Forces on the ground in Bosnia, and enforce U.N. exclusion zones.

ABLE SENTRY:

U.N. Chapter VI peace operation deploying forces into Macedonia as a preventive deployment to help deter the spread of conflict.

More than 500 U.S. troops participate in this operation, along with Nordic troops.

resolve, among them the dearth of English-speaking commanders and staff officers in East European militaries.

Modifying NATO Structures and Activities

Although from 1991 to 1994 NATO made a number of bold decisions at its summit meetings, many of those decisions have yet to be implemented, and more changes will be required as the security situation evolves.

One area for possible further change is the NATO integrated military structure. Although NATO staffs have already been streamlined, many have called for another review to ensure that the command structure is fully oriented toward the new missions. A number of questions arise. Are all the current headquarters still necessary? Have they been reduced in active strength to the minimum necessary? Are they mobile, flexible, and kept up-to-date by essential investment in modern command-and-control and information equipment?

A second issue is preparing for the new missions of the Alliance, such as peace

operations and humanitarian relief. Forces such as the ACE Rapid Reaction Corps, the Standing Naval Forces, and the ACE Mobile Forces need to be trained and equipped to perform new tasks. Deploying and sustaining forces in out-of-area operations require significant planning and training.

Another area where further modification of NATO may be on the agenda is balancing burdens and responsibilities between the European and North American pillars of the Alliance. This requires the development of effective political and military ties with the WEU and the emergence of an ESDI that works in tandem with the U.S. and Canada. The task of crafting an ESDI that is a partner and not a competitor to NATO has fallen on the WEU. Transparency will be essential to building a trusting and productive relationship. It will not be enough for WEU and NATO representatives to hold occasional meetings; systematic coordination and information sharing is needed. The U.S. and Canada will be the only NATO allies not routinely seated at the WEU table to deliberate security issues. The WEU must take care that its positions are not presented in NATO fora as *faits accomplis*. In turn, Washington must demonstrate trust in its European allies in order to allow the ESDI to develop.

Finally, NATO's increasing political role suggests a new approach that seeks to identify and resolve tensions that may affect the Alliance before they become crises, as well as to employ the Alliance's formidable infrastructure and resources to respond to unexpected contingencies. For example, NATO's Senior Civil Emergency Planning Committee, Civil Emergency Planning Directorate, and Committee on Challenges of Modern Society might be chartered to plan for responses to natural and man-made disasters. While initial planning could concentrate on the NATO and NACC regions, the Alliance could eventually tackle similar issues in regions beyond Europe. The associated requirement to move from reactive to proactive planning would not be easy for a consensus-based organization like NATO.

Bosnia Map of Control, Fall 1994



SOURCE: CIA

Resolving or Containing Conflict in the Balkans

Precipitated by a lethal mixture of economic backwardness, historical animosity, exploitative leaders, and the suppression of human and minority rights, the conflict in the former Yugoslavia has become a case study of the local consequences of the breakdown of the Cold War international system and the pains associated with the emergence of another:

- It has highlighted the complexity of ethno-national conflicts and the interconnections among the political, economic, social, cultural, and security problems associated with the end of communism.
- It raises serious questions about the international ramifications of intra-state conflicts.
- It presents challenges to a number of well-established principles of international order,

such as non-intervention in the internal affairs of sovereign states, the right of national self-determination, and the inviolability of borders.

- It underscores the limitations of existing European institutions to deal with the international fall-out of such conflicts and the need to develop institutions for effective and timely conflict prevention and management.
- It poses fundamental questions about the viability of a Euro-Atlantic community based upon a system of nation-states and dedicated to democratic values and open societies.

The efforts of European institutions failed to avert conflict in former Yugoslavia. Indeed, early European diplomatic recognition of secessionist states may have exacerbated the situation. The efforts of other countries and international organizations similarly failed.

Involvement of the U.S. and Others.

The U.S. and other powers have been caught in a dilemma. They feel a moral obligation to assist victims and to help resolve the conflict. Yet they are well aware of the long history of bloody ethnic conflict in the Balkans and are leery of sending their military forces to the area, especially when warring factions doggedly continue to fight and do not appear interested in a peace arrangement.

The U.S. and other states are thus cautious about their involvement. They have pursued four courses of action: humanitarian relief, containment of the conflict, diplomatic initiatives to resolve the conflict, and making plans to help maintain the peace with military forces once a peace agreement is reached. All of these measures aim to moderate the damage caused by the conflict while limiting exposure of U.S. or other foreign military forces to hostilities.

The U.S., under Operation PROVIDE PROMISE, and some allies have flown humanitarian assistance to people in Bosnia. The U.S., NATO allies, and members of the WEU under Operation SHARP GUARD have been willing to commit maritime forces in the Adriatic to maintain U.N. sanctions, and these and other states have taken other measures to restrict trade with certain of the parties. In late November 1994, in response to Congressional interest in lifting the embargo on arms for the Bosnian government forces and Croatia, the U.S. ceased enforcing the arms em-

bargo with regard to Bosnian government forces. Under Operation DENY FLIGHT, the U.S. and NATO allies have also been willing to commit air power to deny military flights to warring parties, to protect U.N. Protection Forces (UNPROFOR) on the ground in Bosnia, and to enforce U.N. exclusion zones. Coordination with the U.N. of the employment of these forces has had some difficulties. The naval forces are now operating under the NATO integrated military command structure, as are allied forces involved in the airpower operations, demonstrating the value and capability of the NATO command structure.

Some states have committed ground force units to UNPROFOR in Bosnia, which have been used to help ensure humanitarian relief is delivered and to keep certain equipment from being used by warring parties. The U.S. has been leery of deploying American ground forces into the former Yugoslavia. Under Operation ABLE SENTRY, U.S. and Nordic ground forces have been deployed in Macedonia to help deter the spread of conflict. The U.S. has indicated it will deploy ground force units into Bosnia only when a peace agreement has been negotiated and put into place.

Following earlier unsuccessful international efforts to negotiate a settlement in the former Yugoslavia, an International Contact Group, consisting of representatives from France, Germany, Russia, the U.K., and the U.S., has launched a diplomatic initiative to reach a peace settlement in Bosnia. This initiative proposes that the Muslim-Croat Federation in Bosnia be given control of 51 percent of Bosnia's territory, and the Bosnian Serbs—who now control about 70 percent of Bosnia—be given 49 percent. The Muslim-Croat Federation has reluctantly accepted this proposal, but the Bosnian Serbs have not.

Lifting the Arms Embargo for Bosnia. Some have called for lifting the arms embargo on the Bosnian government, so that Muslims and Croats might better resist the Bosnian Serbs, who have dominated the conflict with support from Belgrade. Those who advocate lifting the embargo cite the right of a state to defend itself.

Others point out that, while lifting the embargo on arms to Bosnian government

forces could help these forces defend against attacks by Serbian forces, it could raise a number of problems. It is not clear whether the Bosnian Government would be better or worse off. The U.K. and France and perhaps others might pull their forces out of UNPROFOR, Serbia might feel less inclined to restrict its support for Bosnian Serbs, and the fighting could escalate and be prolonged. It could give the appearance of committing those who lift the embargo to supporting the Bosnian government, with all the implications that could have, including impact on efforts to negotiate a settlement, relations with allies and others such as Russia who now oppose lifting the arms embargo, and efforts in other areas of the world to provide unified international sanctions or embargoes.

A strategy has been considered that would set a future date for a general lifting of the embargo for Bosnian government and Croat forces if Bosnian Serbs continue attacks and do not agree to a peace settlement, but, as mentioned, the U.S. has unilaterally ceased enforcing the arms embargo on Bosnian government forces.

Kosovo and Macedonia. Developments in the Kosovo autonomous province of Serbia and in the Former Yugoslav Republic of Macedonia could trigger an escalation of conflict in the Balkans and even beyond. In Kosovo, Serbian repression continues, and an increasing number of people appear to believe that moderation in resisting Serbia is achieving few if any results. Conflict in Kosovo could lead to a scenario that involves massive refugee flows and a spillover of conflict to many states in the region, with implications far beyond. In Macedonia, the economic situation is disastrous, given disruption of trade with embargoed Serbia and the Greek economic blockade of Macedonia. Some 25 percent of wage earners in Skopje have not been paid for months, and labor troubles could lead to ethnic strife.

The West has taken some steps such as the deployment of troops into northern Macedonia under Operation ABLE SENTRY. Efforts by the U.S. and the European community to provide greater assistance

and help develop an east-west infrastructure for Macedonia, so it is not so dependent on north-south commerce and ties, would help alleviate the pressure on Macedonia; encouraging Greece to end its blockade would be even more immediately significant.

The Future in Former Yugoslavia. If the International Contact Group's proposal succeeds in stopping the fighting and achieving a peace settlement, and if post-settlement the U.S. deploys 25,000 military personnel to the area as part of a peacekeeping force of 50,000, a question will then be whether peace can be sustained and the lives of peacekeepers protected. On the other hand, the failure of the Euro-Atlantic community to force a settlement in Yugoslavia's ethno-national conflicts and to help establish an arrangement through which the successor states may live in security would cast a shadow on the notion of building a collective security system to manage change and crises in Europe and beyond.

At best, some form of collective security may be able to stop the conflict, or at least manage it and prevent expansion or escalation of the conflict. At worst, conflict in the former Yugoslavia could continue for a long time and spill over into the

broader Balkan area and possibly beyond. NATO states are concerned that violence in one area of Europe can reduce inhibitions to violence elsewhere.

Implications for U.S. Relations with Allies and Friends. Differences between the U.S. and allies, especially the U.K. and France, on such issues as deploying ground forces in Bosnia in current conditions and lifting or enforcing the arms embargo on the Bosnian government and Croatia have led to much speculation about the implications for U.S.-allied relations and even the future of NATO. These differences may add to other incentives European allies have to pursue close defense cooperation in Europe; the U.K. and France, for example, reportedly are creating a joint air command for peacekeeping missions. The U.S. appears to recognize the priority a strong NATO has in U.S. national security interests and the need to relate policy on the former Yugoslavia to this higher interest in maintaining a cohesive Alliance.

Russia and Neighbors

The disintegration of the USSR left in its wake fifteen successor states, each struggling to cope with the demands of statehood and the need to define a role in the international system. After three years of independence, it is by no means certain how many of these entities will be viable states within their present borders. Nor is it clear whether the two largest, Russia and Ukraine, will seek integration with the Western security system. Major factors underlying these uncertainties include:

- Growing doubts in the region about the wisdom of the December 1991 decision to dismantle the USSR;
- The failure of many new leaders in the region to gain legitimacy in the eyes of their citizens;
- Uncertainty within many of the new states regarding their potential to achieve economic independence and political sovereignty (a trend bolstered by a growing backlash against economic hardships and rampant corruption);
- Conflicts in the Caucasus and Central Asia; and
- A general awakening to the fact that the major Western countries may not be able to reduce the dislocations associated with the transition from a Soviet-style command economy to a market system.

These developments have forced many of the Soviet successor states to re-evaluate their future in the international system. This in turn challenges the West to reassess its own policies regarding these states.

Defining Trends

Russia is Intervening in the Security Matters of Other Former Soviet States

In 1992, Russia was reluctant to interfere in the security problems of other Commonwealth of Independent States (CIS) countries. Russian Foreign Minister Andrey Kozyrev initially established a policy of non-interference, in an apparent effort to curry favor with the West—on which, Kozyrev believed, Russia was critically dependent for economic assistance. Kozyrev believed that the foremost threat to Russia's security was economic and political isolation, and that Russia could overcome this threat only through economic and diplomatic integration into the Western dominated international system.

This policy, however, was soon challenged by those who believed that Russia had to rely upon itself for its security and place in the international community. This

group argued that Russian security policies should focus on protecting Russia's vital interests—especially in the area they called the “near abroad” (that is, the former Soviet Union)—rather than on integrating into an international system controlled by the West.

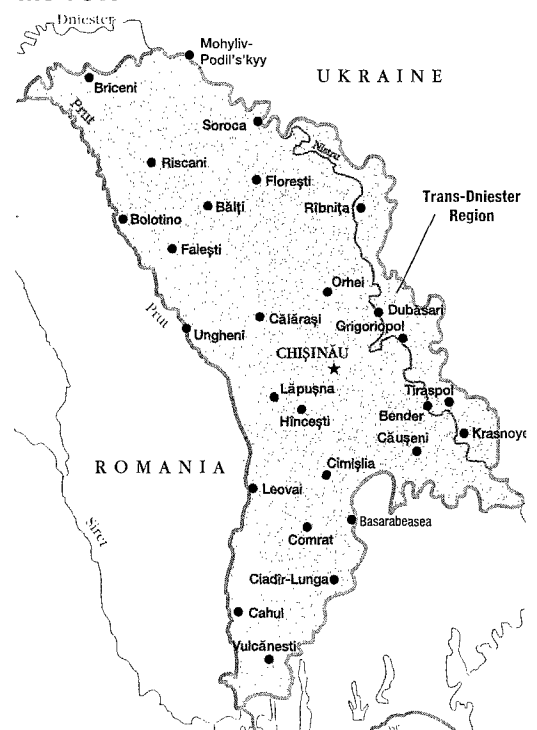
The debate between Kozyrev and the advocates of a foreign policy based on defending Russia's own vital interests continued for almost two years. It ended abruptly early in the morning of October 4, 1993, when President Yeltsin rushed to the Ministry of Defense to implore the military to put down the rebellion in the streets of Moscow. In exchange for the military's support, Yeltsin evidently made several concessions—including acceptance of a security policy based on Russia's vital interests.

Despite the Ministry of Foreign Affairs' position prior to October 1993, however, many of Russia's policies regarding the CIS during that period were apparently made by individual ministries based on bureaucratic interests and proclivities, not official state policy. At the same time, moreover, Russia displayed a tendency to provide military support throughout the region in a manner that weakened the authority of the other Soviet successor states.

It is important to note, however, that Russia's determination to be involved in security matters throughout the “near abroad” has not been entirely unwelcome. Many Soviet successor states in the Caucasus and Central Asia are having major problems in establishing their sovereignty and look to Moscow for support. This is reflected in the fact that Russia has sought and achieved troop stationing agreements with most of the states in the “near abroad,” and in the increased interest within the CIS in new forms of political, economic, and security cooperation.

Moldova. Immediately after the dissolution of the Soviet Union in December 1991, former Soviet armed forces stationed in the Trans-Dniester Region of Moldova began to actively support Dniester activists seeking independence from Moldova. In May 1992, Russia asserted its control over these units, and in June, Major General Aleksandr Lebed was placed in charge of

Moldova



SOURCE: CIA

the Russian forces of the 14th Army stationed in the Trans-Dniester region. On July 29, Russian peacekeeping forces were deployed to the Trans-Dniester region in accord with a Moldovan-Russian agreement. Russian forces remain in the region, and negotiations between Russia and Moldova indicate that they will remain there for several more years.

Georgia. In June 1992, President Yeltsin and Georgian leader Eduard Shevardnadze signed an agreement on settling conflicts in the region. A month later, they agreed to send Russian, Georgian, and Ossetian peacekeeping forces into South Ossetia, where they remain today.

In August 1992, Russia also sent forces into Abkhazia, a former autonomous republic under Moscow's control that has resisted integration into an independent Georgian state, in order to evacuate Russian tourists caught between Georgian and Abkhazian warring factions. After the evacuation, Russian forces remained in Georgia, ostensibly to keep the peace, after Georgia and Russia signed an agreement on September 3, 1992, calling for the complete neutrality of Russian forces and pledging Moscow's respect for Georgia's



SOURCE: CIA

borders. Nevertheless, the Russian military reportedly provided support to Abkhazian forces throughout late 1992 and 1993. Moreover, Russia actively sought to broker a negotiated settlement to the Georgian-Abkhazian conflict during the winter of 1992-93, and even refused to finalize a friendship treaty with Georgia in the spring of 1993 until progress was made in settling the Abkhazia conflict.

Russian involvement in the conflict took a turn in October 1993, when Georgia

sought Russia's help in overcoming internal armed opposition to the Georgian government. This led to a treaty between the two countries regarding Russian basing rights in Georgia, which in turn paved the way for Russia to perform peacekeeping functions along the Georgian-Abkhazian border. Russia's role as peacekeeping "facilitator" was recognized by the U.N. Security Council on July 21, 1994, in UNSC Resolution 937.

Tajikistan. Russia also became involved in Tajikistan's conflicts after anti-Islamic, old-guard political forces achieved victory in the Tajik civil war in December 1992. On January 22, 1993, Russia, Kazakhstan, Kyrgyzstan, and Uzbekistan agreed at the Minsk CIS Summit to send primarily Russian troops to CIS border between Tajikistan and Afghanistan, in order to defend against Tajik opposition attacks from Afghan territory. In a separate operation, the CIS authorized Russian forces to perform peacekeeping functions within Tajikistan.

Armenia and Azerbaijan. Russian military activities in Armenia and Azerbaijan have been limited. In accordance with CIS agreements, Russia turned over Soviet military equipment to both countries, and has not become actively involved in their dispute over the Nagorno-Karabakh region.

Tajikistan



SOURCE: CIA

Nagorno-Karabakh



SOURCE: CIA



Russian peacekeeping troops in Abkhazia.

In late January 1994, Russia offered to provide peacekeeping forces to patrol a security zone between the two countries. This offer was not accepted, however, and while Russia continues to express concern over the conflict, it has limited its involvement.

Domestic Pressures and Mutual Apprehensions Impair Russia-Ukraine Relations

On December 1, 1991, 76 percent of Ukrainian voters supported Ukrainian independence from the Soviet Union, as urged by the newly elected Ukrainian president, Leonid Kravchuk. The primary objective at the time was to wrest control of Ukraine's political and economic destiny from the Soviet central government. Russian and Belorussian political leaders shared this desire to do away with the Soviet central government mechanism. As a result, agreements were signed that abolished the Soviet Union and established the much more amorphous CIS in its place.

Russian political leaders who pushed for the formation of the CIS had intended for the Commonwealth to succeed the Soviet Union as a confederation of states. It was not their intention that the successor states should go their own ways on security matters. Rather, Russia advocated a CIS military structure that would subordinate a major portion of the old Soviet military—including all of the strategic nuclear

and naval forces—to a CIS military command responsible to the collective heads of state of the Commonwealth. In January 1992, Russia even went so far as to proclaim that it would not establish its own army, but would rely on forces controlled by the CIS to defend Russian territory. Political leaders in Moscow believed that Russia's political and economic weight would give it the strongest voice in CIS security decisions. Moreover, they feared that the creation of a separate Russian military would upset and alienate the other Soviet successor states.

Moscow was not ready for the Soviet Union to break up so quickly and completely; Russia had merely wanted to replace the mechanism by which the republics were joined together with something less objectionable. Ukraine's declaration in January 1992 that all military forces stationed on Ukrainian territory belonged to Kiev—and its subsequent efforts to convert these forces into an Ukrainian army and navy—came as a surprise to many in Moscow, and presented a major challenge to Moscow's plans for the CIS. In May 1992, Moscow countered by creating its own army, which included many Russian forces stationed in other CIS states. Moscow also challenged Ukraine's claim to nuclear forces and the Black Sea Fleet stationed in the Crimea.

Good Russian-Ukrainian relations require mutual trust on security matters, which has been in short supply. Ukraine's unilateral demands for independence in security matters have hurt communications and understanding. This distrust has nearly turned into open rancor during the negotiations over ownership of the Black Sea Fleet. In particular, the disruptive behavior of the fleet's Russian commanders—such as Admiral Kasatonov, who openly resisted the efforts of Moscow and Kiev to divide the fleet in a mutually acceptable way—has prevented negotiations from taking place in a calm and conciliatory environment. Agreements regarding the fleet reached in August 1992, April 1993, and June 1993 were quickly repudiated by at least one of the parties to the dispute.



Russian parliament burning after military attack, October 1993.

Source: TASS

In short, relations between Russia and Ukraine have been strained since soon after the CIS agreement was signed in December 1991. Many Russian leaders have not reconciled themselves to the breakup of the Soviet Union. They believe that their own security will be placed in jeopardy if Ukraine moves out of Moscow's sphere of influence on security matters.

Furthermore, domestic problems have distracted them from the task of building good relations with Ukraine. Throughout 1992 and 1993, Yeltsin clashed repeatedly with the more conservative Russian legislature over policy issues and the division of political power between the branches of government. This confrontation, which was punctuated by threats to close down the legislature and counter-threats of impeachment, practically paralyzed the Russian government. Moreover, the struggle for power spread to the provinces, where many locally elected officials were re-cycled communist party leaders who resisted the reform efforts pushed by the president.

Ukrainian leaders, on the other hand, have been hesitant to compromise with Russia, fearing this might open them to the charge of diminishing Ukrainian independence. They tend to blame Russian interference for domestic problems that have not been resolved. And they are paralyzed by major differences within the country regarding how closely Ukraine should be connected to Russia.

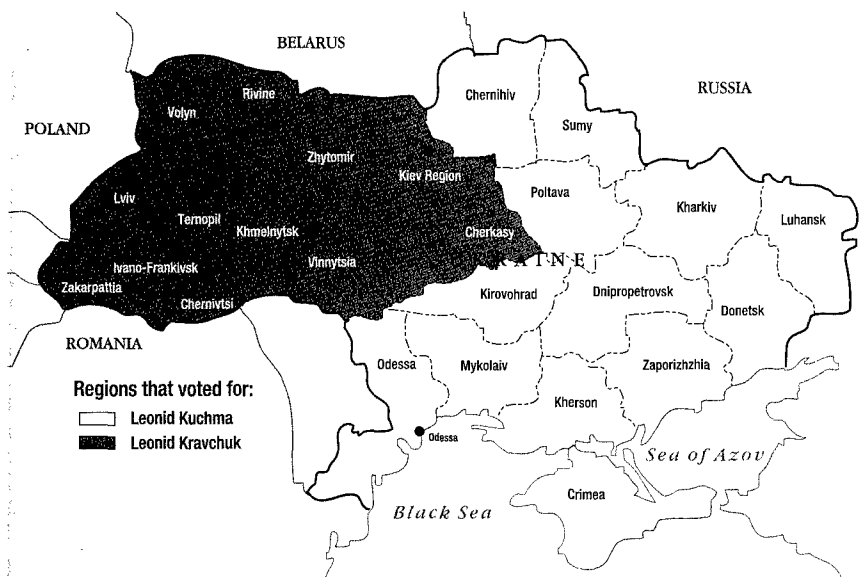
The Rukh political party, based in western Ukraine, spearheaded the drive for independence and had a major influence on Ukrainian politics immediately after the break with Soviet Moscow. However, a large number of Ukrainians, particularly in the central and eastern parts of the country, soon began to question the wisdom of policies designed to sever Ukraine from Russia. In November 1992, USIA polls showed 52 percent of all Ukrainians agreeing with the statement that it was "a great misfortune" that the Soviet Union no longer existed.

Russian concerns about possible Ukrainian entry into Western economic and security circles have led it to take steps that undermine Ukrainian independence, such as maintaining economic and political pressure on Kiev as Ukraine struggles with its domestic problems. A prominent example of this economic pressure has been Russia's frequent interruption of oil and gas deliveries to Ukraine, which has resulted in major production problems within Ukrainian industry. Moreover, some political groups within each country have sought to gain political advantages for their cause by pitting the grievances of ethnic Russians in the Ukraine against the resentment many ethnic Ukrainians harbor against Russia.

Further, controversial boundary decisions made during Soviet times—when borders were often drawn without regard to historical and geographic logic—have been revisited, fueling mutual distrust. Of particular note in this regard is the issue of Crimea's political status. Historically a part of Russia, Crimea was arbitrarily removed from Russia's jurisdiction by Khrushchev in 1954 and made part of Ukraine. The population, however, remains largely Russian and the region has strong ties with Russia. The peninsula is also the historic home of the Black Sea Fleet, and as such has major naval bases and support facilities that are of value to both countries.

Crimean political activists who favor increased autonomy and even independence gained a major victory in the local Crimean presidential elections of January 30, 1994,

Ukraine's East-West Political Split



SOURCE: *The Economist*, July 16th, 1994

when Yuriy Meshkov—an outspoken advocate of Crimea's return to Russian control—won with 73 percent of the vote. Those favoring increased autonomy also easily won the parliamentary election conducted on March 20. Crimea's new parliament voted on May 20, 1994, to restore the controversial Crimean constitution of 1992, which had been put aside because Kiev objected to the degree of autonomy it claimed for Crimea. Crimean regional leaders tend to look to Moscow, not Kiev, as their protector.

The split between the western part of the country and the central and eastern parts has plagued Ukrainian politics since independence, causing policy gridlock and hamstringing Kravchuk's administration. The western part of the country has been primarily concerned with establishing Ukrainian independence from Moscow and moving the country into Western Europe's sphere of influence to the greatest extent possible. In contrast, the eastern part of Ukraine, in which most of Ukraine's ethnic Russians live, has been more willing to cling to Russia for economic as well as cultural reasons. The economic base of the eastern part of Ukraine was strongly connected to Russia—and heavily subsidized by Moscow—in the Soviet Union. Thus, managers in this part of the country have been unprepared and unwilling to reorient

their largely obsolete industries in the direction sought by the Ukrainian nationalists of the west.

Resistance in the eastern part of Ukraine to the economic reforms and nationalism favored in the west led to the openly stated suspicion that Moscow was using ethnic Russians in the east to sabotage Ukrainian independence. Political infighting between the nationalists of western Ukraine and the pro-Russian and reform-resistant population of central and eastern Ukraine have stymied policy making in Kiev, leading to economic stagnation, domestic strife, and the diplomatic suspension of Ukraine between Eastern and Western Europe—without a clear foothold in either.

On July 10, 1994, Leonid Kuchma won Ukraine's presidential run-off election, gaining 9.8 million votes to Leonid Kravchuk's 8.9 million. Kuchma, who stood for closer relations with Russia, won in all regions of eastern, east central, and southern Ukraine, while Kravchuk, who ran as a nationalist, won in all western and west central regions. While this outcome may help to defuse tensions with Moscow on some issues, it may also lead to increased internal tension if Ukrainian nationalists push to the fore the issue of asserting their country's independence vis-a-vis Russia. External tensions with Russia may also increase if the nationalists turn their spotlight on Russian interference in Ukrainian domestic affairs.

Leaders Supporting a Strong Russia are Gaining Power in Russia

The results of the December 1993 Duma elections were a severe political blow to President Yeltsin, decreasing his ability to exercise the powers he gained under the new constitution and forcing him to make major concessions to more conservative forces. Russia's more-open actions in the "near abroad" and increased role in the former Yugoslavia are a direct result of these concessions.

Since 1992, conservative and even moderate Russian politicians had loudly

complained that the Russian Foreign Ministry was allowing the U.N. Secretary General and NATO to exclude Russia from playing a role in resolving the civil war in Bosnia. On February 15, 1994, Yeltsin announced that Russia would no longer tolerate exclusion, and unilaterally injected Russia into the negotiating process by sending a special envoy, Vitaliy Churkin, to Serbia. Churkin's immediate success in getting the Bosnian Serbs to withdraw heavy weapons from Sarajevo not only obviated the need for NATO air strikes against Serbian positions, but inaugurated a new era of Russian involvement in the Bosnian peace process. Russia's subsequent participation in the Contact Group addressing the Bosnia problem reflects an apparent intention to act in concert with the other major powers, rather than as an independent force.

During the last three years, Russian military leaders—particularly Major General Lebed—have also spoken out on regional politics, expressing political views at odds with those of the Russian leadership, even when ordered not to by the Russian president and minister of defense several times since July 1992.

Force Redeployments, Reorganizations, and Reductions are Affecting the Readiness of Russian Forces

Starting with Soviet President Mikhail Gorbachev's December 1988 announcement at the U.N. of unilateral force reductions in

Eastern Europe, the Soviet—and now Russian—military has experienced a series of major redeployments, re-organizations, and reductions. The completed force withdrawals from Germany and the Baltic states at the end of August 1994 did not end the process. Russia is still involved with internal redeployments and troop reductions.

The reductions in nuclear arms called for by the Strategic Arms Reduction Talks (START) Treaty are being implemented on schedule, considerably reducing the number of deployed strategic nuclear missiles under Moscow's command. The reduction has also been accompanied by re-targeting agreements with the United States that eliminate peacetime targeting of U.S. sites and reduce the combat alert status of some units. Russia and China have also agreed not to target each other in peacetime.

General purpose forces, whose training has been severely reduced, have experienced considerable degradation in their combat readiness. Those units that have maintained a high degree of readiness have been used to conduct domestic and international peacekeeping missions.

Moscow also lost control of some of the Soviet Union's best military equipment when Ukraine and Belarus declared their ownership of all general purpose forces stationed on their territory. For the most part, these forces had been formed from equipment evacuated from Eastern Europe in accordance with the 1988 Soviet unilateral reduction announcement and the 1990 Conventional Forces in Europe (CFE) treaty.

Strategic Nuclear Assets On Hand and Accountable Under START¹

	Kazakhstan	Russia	Ukraine	Belarus
ICBMs	92	861	176	54
Strategic Bombers	0	120	42	0
SLBMs	0	788	0	0
Warheads	920	7199	1576	54

SOURCE: DOD

¹ Data shows weapon locations as of summer 1994.

Additional, newer items of equipment were removed and stored east of the Ural mountains in order to meet the CFE limits, considerably diminishing the military forces west of the Urals under the control of Russia in comparison with its Soviet predecessor of a few years before.

The current Russian active duty military force, while capable of protecting Russia's borders from any short-term threat, no longer has the ability to project force into the heart of Europe. Russia's navy has also lost much of its power projection and sustainability capabilities.

Russia is, however, fully capable of rebuilding a force that could threaten its neighbors. With four or five years of determined mobilization, Russia could reassemble a force capable of threatening other countries located near its borders. Remobilization, however, does not appear to be high on the agenda of any of Russia's present political leaders. Reductions in Russia's active duty military force do not threaten Russia's stated defensive goals, even though the Russian general staff undoubtedly feels a need to improve combat training. Moreover, shifts in Moscow's military intentions would undoubtedly be preceded by perceptible changes in political leadership.

U.S. Security Interests

In the former Soviet Union, numerous political and ethnic entities have declared their independence and have started the process of nation building. Some of these states appear to be successful, while others do not. Boundaries and political affiliations have been settled in some regions, but not everywhere. Instability plagues the region, and will likely continue to do so for several years.

The process of political and economic reform in many of the new states has been characterized by indecisiveness, acrimony, and open conflict. Democracy and market economies were originally the goals of all states in the region, but little or no progress has been made towards these goals in many of these nations. In some cases, the banner of democracy has simply been hoisted over traditional forms of government by the few for the few. The principles of the market economy are not universally accepted or

completely understood in most of the new states. Moreover, the drive for political and economic independence from the former Soviet central authorities has started to give way in some areas to serious thoughts of political and economic reassociation.

Preventing a Military Threat

While the development of democracy and market economies is the long-term solution to the region's instability, the U.S. has an interest in preventing the re-emergence in the region of a military threat to U.S. interests. The risk of a new Soviet-type military-ideological threat, fortunately, appears to be small, since Russia—which would have to be the nucleus of such a threat—is making progress with political and economic reforms, thus reducing the possibility that it will re-emerge as an adversary.

Encouraging the Growth of Democracy

In the long term, the success of democratic reforms—particularly in Russia and Ukraine—will enhance U.S. security. In turn, the establishment of democratic values will profoundly reduce the chances of conflict. Democratic reforms are the best long-term answer to the aggressive nationalism and ethnic hatreds unleashed at the end of the Cold War.

Promoting Economic Reforms

Promoting economic reforms in the former Soviet Union will significantly increase the chances that democracy will take root in the region. Additionally, economic reforms in the region, undergirded by political reforms, will open foreign markets for the U.S., as secure, democratic, market-oriented nations are more likely to support and engage in free trade.

Promoting Regional Stability

Ethnic and border disputes present a real threat to the stability of the former Soviet Union. Many of the Soviet successor states—including Ukraine—are having problems establishing their sovereignty, are



Russian troops on the Tajik-Afghan border.

Source: TASS

embroiled in violent conflict, or are ignoring democratic reforms. It is in the U.S. interest that ethnic feuds and the uneven development of reforms throughout the region not be allowed to threaten positive developments within the former Soviet Union or other parts of Central and Eastern Europe.

Key U.S. Security Policy Issues

Future Security Cooperation with the West

Late 1993 proved to be a watershed year in shaping the U.S. attitude towards Russian participation in post-Cold War international security problems. Russia's decision that securing its own vital interests had to take precedence over cooperation with the West, and the specter of ultra-nationalists rising to power in Moscow, made it clear that the West was incorrect in its assessment that Russia was too preoccupied by domestic problems to be interested in international affairs.

While always acknowledging that Russia was a major power, the U.S. and the rest of the West often tended to address international security problems without fully taking stock—or advantage—of Moscow's interest in such matters. The situation

began to change in early 1994, when Russia inserted itself into the situation in Bosnia.

Consequently, Washington has started to consult more with Moscow on a variety of problems. In the spring of 1994, the U.S. welcomed Russia as a fifth member of the Quadripartite Contact Group addressing the Bosnia problem. Similarly, it consulted with Russia on the North Korea nuclear problem, and worked in the U.N. Security Council to acknowledge Russia's peace-keeping role in Georgia after Russia showed a readiness to conform to international norms.

The U.S. approach towards security cooperation with Russia is best represented by the Partnership for Peace program, which envisions broader European cooperation on security matters, while at the same time hedging against the appearance of a new threat to European security. The U.S. encourages Russia's contribution to international security, but at the same time recognizes that Russia is not yet ensconced in the democratic and market traditions, and a Russia turned hostile or unstable would present a major challenge for European security. Nevertheless, security cooperation between Russia and the West will continue to expand as political and economic reforms take root in Russia and other areas of the former Soviet empire. At least six factors will affect future cooperation between the states of the former Soviet Union and the West on security matters:

Security cooperation within the CIS.

There is a growing acceptance in most of the non-Russian states that their security depends on cooperation—even alliance—with Moscow. This has led to a number of bilateral military cooperation treaties between Russia and the other successor states. Russian security cooperation with its neighbors, as a rule, will come with a stipulation that those receiving Moscow's assistance or guarantees will not allow other major military powers to station troops on their territory without approval from Moscow. Consequently, non-Russian states of the region—with the possible exception of Ukraine—will tend to shy away from forms of cooperation with the West that might meet with Russian disapproval.

Ukraine's position. Ukraine has cooperated with the U.S. and with Russia on



Russian Defense Minister General Grachev at joint U.S.-Russian military exercises.

Source: TASS

some nuclear issues, especially the U.S.-Russian-Ukrainian trilateral agreement facilitating Ukraine's denuclearization and ratification of the Nuclear Non-Proliferation Treaty. On the other hand, Ukraine could seek a security position that is independent of Russia, in which case Kiev will want to cooperate as much as possible with the West on security matters. A Ukraine that is fully independent of Moscow on security matters and cooperative with the West will likely increase strains and decrease cooperation between Russia and the West in the near term.

Russia's vital interests. Cooperation with the West will also hinge on Russia's assessment of its vital interests. Moscow's new policy of defending its vital interests regardless of the West's attitude on a given problem may well lead to situations in which cooperation between Russia and the West is not possible—even to situations where confrontation is possible.

The West's intentions in the "near abroad." Another key factor is Moscow's perception of the intentions of other major powers towards the area of the "near abroad" and Russia itself. Like the West, Russia comes out of the Cold War with lingering doubts about the trustworthiness of its former opponent. This inclination to distrust the West was heightened in 1993 when NATO first seemed ready to expand to the borders of the former Soviet Union,

and the Western powers talked of mediating conflicts within the Caucasus and Central Asia. President Yeltsin's strong objection to additional NATO eastward expansion plans reflects Russia's continued extreme sensitivity to proposals or policies that appear to be aimed at isolating Russia or decreasing Russia's influence in the regions along its borders.

Russia will continue to promote European security agreements that boost Russia's role while devaluing the role of NATO. Russia's decision to join the Partnership for Peace program should be viewed as a tactical step in Moscow's long-term plans for re-organizing and expanding Europe's security structures.

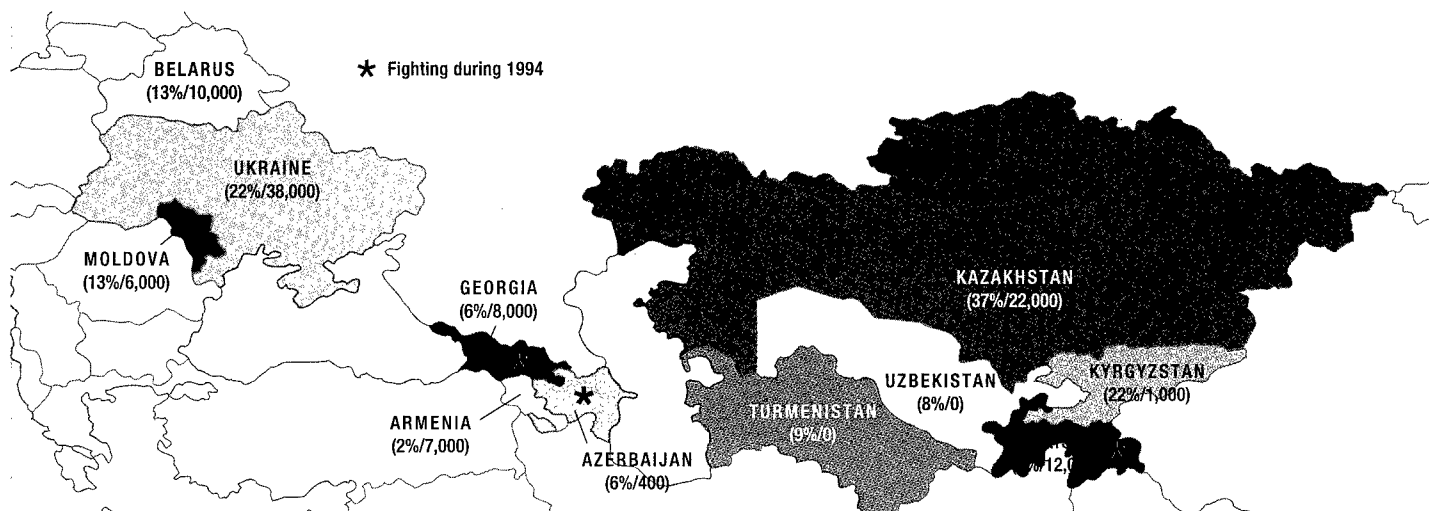
The West's willingness to treat Russia as a partner. Russia's leering of Western intentions will be also affected by the West's willingness to include Russia as an equal partner in resolving international problems of interest to Moscow. If Moscow's participation is sought early in future planning processes, the West can expect Russia to cooperate as long as the West is not pushing a position at odds with Russia's vital interests. However, if the West is seen to be excluding Russia from the planning process—as Russia believed was the case in Bosnia in 1993—then Moscow may obstruct Western activity, using its veto authority in the U.N. Security Council if necessary.

The power of ultra-nationalists. The ascent to power of ultra-nationalists in Russia would for all practical purposes end any possibility of cooperation between the West and Russia. Ukraine, on the other hand, would be even more eager to cooperate with the West under such circumstances, assuming it still believed that its security depended on its ability to remain free of Moscow's domination.

The Possible Rise of Ultra-nationalism in Russia

The results of the December 1993 parliamentary election in Russia raised the specter of ultra-nationalists gaining political control in Moscow, followed by Russian soldiers marching south and west to re-establish the old Tsarist and Soviet empires. The statements of Vladimir Zhirinovskiy

Ethnic Russians/Russian Troops in the CIS



SOURCE: DOD

NOTE: First Figure—Percent of population that is ethnic Russian/Second Figure—Number of Russian troops.

were well known in the West before the elections, but were of little concern because he had no power base in government. But the vote in December—and the efforts by several states in Central Europe to use the ultra-nationalists' election success to add urgency to their pleas to gain entry into NATO—changed the West's perception of the ultra-nationalist threat, making it a major topic of discussion.

The possibility of an ultra-nationalist government in Russia does exist—and has for two to three years. The appeal of the ultra-nationalists can be traced to several factors: resentment over the loss of super-power status, alarm over the growth of crime, and dissatisfaction with the growing gap between the upper and lower economic classes in Russia. In the minds of the ultra-nationalists and their supporters, these problems can be traced either to Western schemes or to the actions of Russian leaders acting in the interests of the West.

However, ultra-nationalists are not on the verge of taking charge in Moscow. The vote for the ultra-nationalists in the December 1993 election was at least in part a protest against the dislocation caused by the erratic reform policies of Yeltsin and Gaidar. Moreover, while the election resulted in ultra-nationalist and traditionalist parties gaining close to 40 percent of the

seats in the Duma, centrists—who support continued reform but at a slower pace—gained a sufficient number of seats to ensure that reform will be continued, albeit at a slower pace and under more direct control by the government.

Combined with the fact that advocates of a foreign policy based on Russia's vital interests who are not ultra-nationalists gained the upper hand in the executive branch, this indicates that, while Russia will be more independent of the West on security matters, it will not necessarily be reactionary or confrontational. There is, to be sure, support for a stronger Russia in international affairs, but not necessarily support for an aggressive foreign policy that risks confrontation with another major power.

The ultra-nationalists will, however, be able to influence both Russian policies in the "near abroad" and, indirectly, the activities of other Soviet successor states in the region. The ultra-nationalists are sure to create trouble wherever there are Russian populations living under the control of other ethnic groups—both inside and outside of Russia itself. This, in itself, will likely cause the Russian government to make national security decisions in an environment that is highly emotional and confrontational.

Moreover, the ultra-nationalist groups will try to portray U.S. international actions as inherently anti-Russian. Thus, relations

between Washington and Moscow will be conducted in an environment in which ultra-nationalist forces seek to use U.S. actions to attack the legitimacy of the Russian regime in power.

The U.S. has sought to counter the specter of ultra-nationalism by supporting reform efforts designed to improve the material well-being of the average Russian and enhance the likelihood that Russia will play a positive role in international affairs. However, because of the prolonged deterioration of the Russian economy and the ability of ultra-nationalists to take political advantage of that deterioration, U.S. policy makers increasingly must consider how their actions toward Russian domestic matters and international issues of interest to Russia will be perceived by the average Russian—whether that perception seems reasonable or not.

Ukrainian Stability

The fact that Ukraine's internal differences over economic and international policies corresponds to an east-west ethnic and geographic division within the country presents the possibility of domestic instability. Labor problems in eastern Ukraine and the political battles between Crimean officials and the government in Kiev may foreshadow increased turmoil. Of the two, the Crimea problem has the greatest potential for creating international repercussions.

The elected government in Crimea is now actively seeking to loosen its ties to Kiev. While it is unclear as to how much autonomy the Crimeans are willing to settle for, many politically active Crimeans demand nothing less than reunification with Russia, or independence. Crimean appeals for Russian support have resulted in the dispute becoming international in nature, with both Kiev and Moscow reacting to the provocations of local Crimean officials. Anti-Ukraine Crimeans—with the support of Russian ultra-nationalists and even many moderate Russian political elements—have engaged in activities that have threatened to bring Russia and Ukraine into military conflict. For example,

throughout the spring of 1994, Russian and Ukrainian leaders exchanged a series of low-key threats based primarily on reports of troop movements around the Crimea. Many of these reports proved to be false provocations originating from local political factions.

The leaderships of both countries appear to be trying to prevent increased tension over the Crimea. However, political conflicts between Crimean Russians and Ukrainians may continue to occur quite often—resulting in bellicose charges and counter-charges, illegal seizures of property, and threatened troop deployments by Kiev and Moscow.

The situation is complicated by the fact that neither the Russian nor the Ukrainian government can afford politically to be seen as giving in to the other. Russia's leadership must be seen by its citizens to fully support the rights of ethnic Russians abroad, especially in the Crimea, which many Russians view as rightfully a part of their country. Ukraine's leadership, on the other hand, cannot afford to accept any agreements regarding the Crimea that convey the impression that Kiev is ceding part of its territory to Russia—the country that has historically dominated Ukraine and now looms as Kiev's most serious military threat. While the outcome of the Ukrainian parliamentary and presidential elections of 1994 may allow the political leaders of the two countries to discuss the problem in a spirit of good faith, domestic political pressures on both groups of leaders will remain.

The problem is further aggravated by the dispute over the Black Sea Fleet, which is supported by extensive facilities located on the Crimean peninsula. Russia is determined to maintain access to these facilities to support the part of the fleet that will go to Moscow. Specifically, Russia wants exclusive access to the facilities in Sevastopol, and is attempting to get Kiev to base its portion of the fleet in Odessa, which is not located on the peninsula. While Kiev has been willing to let Russia have the majority of the fleet's ships, and even recognizes Russia's need for an extensive support system, acceptance of Russia's exclusive access to support facilities in the Crimea is probably more of a concession than Kiev is



Ukrainian President Leonid Kuchma (left); Crimean President Yuriy Meshkov.

willing to make, in light of its current efforts to assert control over the Crimea.

Because the leaders of Russia, Ukraine, and Belarus were interested in disbanding the central Soviet government as quickly as possible when they established the CIS in December 1991, they ignored many such contentious issues that would eventually have to be addressed. Agreements by the Commonwealth signers to recognize each other's borders may have been politically expedient, but the capricious manner in which some of these borders were established are now being challenged by ethnic groups that are disadvantaged by the results. The Crimea will no doubt remain a problem for a long time, primarily because the leaders of both Russia and Kiev lack the political confidence and public support to offer the concessions that are necessary to resolve the situation.

For its part, the international community has tended to view the Crimea problem as an internal Ukrainian issue, and Russia as an external troublemaker seeking to take land that belongs to another nation. This position has tended to limit the West's potential to contribute constructively to the resolution of the problem. The West's view of the situation suggests that it should support Kiev; yet it cannot afford to antagonize Russia on an issue of such importance. Consequently, the West has relegated itself to the sidelines.

Nevertheless, the international community may have to play a role in the Crimea problem if a peaceful solution is to be achieved. The possibility of Russia and Ukraine accepting international arbitration would be greater if the problem were redefined as an international issue resulting from the inadequately prepared and hastily signed CIS agreement. Such arbitration might be welcomed by the political leaders involved, although not by Russian ultra-nationalists, who would likely interpret it as Western encroachment into Moscow's historic sphere of influence.

The Future of Economic Reforms

The status of economic reforms varies throughout the region, but in no state can the economy be considered strong. During 1992 and 1993, Yeltsin alternated between enacting radical economic reform measures advocated by the West and watering down those measures in order to limit public and political opposition. The result is that neither the market system envisioned by advocates of "shock therapy" nor the centrally managed reform approach advocated by economic moderates has materialized. The inflation rate in Russia reflects the results of the government's see-saw policies. During 1992 and 1993, the monthly rate was never lower than the July 1992 rate of 7.1 percent, and it reached a high of 31.1 percent two months later. (In January 1992, the rate hit 296 percent when the government lifted price controls, but this figure was an anomaly.)

The problem was aggravated by the fact that Russian legislatures during this time failed to create the legal basis for an investment-friendly environment. Moreover, there has been little progress in converting the vast military industrial complex to the production of consumer goods—a problem of major importance, since the most effective production elements of Russia are in the military industrial sector.

The Ukrainian economy is in even worse condition. Virtually no effort has been made by the Ukrainian government—or the governments of the other Soviet successor states, for that matter—to convert

from a command to a market economy. Consequently, Ukraine has a small and unstable market sector and a huge, unproductive, and outdated state-controlled sector.

The dismal economic performances of the two largest states of the region have resulted in growing dissatisfaction with the political leadership of both countries, to the point that a further downturn in their economies could provoke major political unrest and a downfall of the leadership. Payment of wages routinely lags for months in Russia and Ukraine—in August 1994, Russia reported that wage arrears amounted to 3.5 trillion rubles and were increasing by 15 percent a month, resulting in numerous regional strikes and public protests. In mid-1994, Russian opposition groups called repeatedly for universal strikes in the transportation and oil industries in hopes that they would cause the downfall of the Yeltsin government.

As a result, some political leaders in the region have started to pay increased attention to the social consequences of their economic reform policies. Since at least the beginning of 1993, the Russian government has devoted increased attention to alleviation of economic hardship and prevention of social unrest. Unfortunately, these measures have not proven very fruitful.

Nevertheless, economic reform measures continue to be enacted. During 1994, the government made great and much-needed strides in controlling government deficits and inflation. In February 1994, the inflation rate dropped to 9.9 percent from 22 percent the month before, and remained in the single digits for several months.

Additionally, Prime Minister Viktor Chernomyrdin successfully resisted pressure from the uniformed military and military-industrial leaders to approve a 1994 military budget of almost 90 trillion rubles, rather than the 40 trillion cap favored by the government, which may reduce defense orders by 80 percent. Moreover, in July 1994, Chernomyrdin started the long-awaited bankruptcy program for unprofitable state-supported industries.

In an effort to minimize social fallout from such reforms, the government has increased its control over the reform process,

in an effort to balance the dislocations caused by market reforms with compensatory social programs. It has also increased efforts to reduce economic crime—including that by growing organized crime organizations—the prevalence of which tends to undermine public support for reform.

Ukraine and the other successor states, on the other hand, have yet to take major measures to reform their economies. A major reason for this appears to be that these countries have historically been more dependent on Russia than vice versa. To some extent, most had grown accustomed to this dependence, and were genuinely unprepared for what came next when the carpet of Russian support was pulled out from under their feet. In the fall of 1994, the newly elected president (Kuchma) and parliament passed a series of reform measures, but it is too soon to assess their success.

This economic relationship between Russia and the rest of the CIS is becoming more evident to the political leadership of the region, and may well lead the non-Russian states, including Ukraine, to seek closer economic ties with Russia. As the dominant partner in any such economic relationship, Moscow will be able to choose and mold these economic ties on the basis of the advantages they offer to Russia.

The U.S. has been a strong supporter of economic reform in the region. Moreover, while the U.S. has advocated an aggressive approach to market reform, it recognizes that success requires that states themselves take the initiative. Washington's policy has been that U.S. support must follow the initiation of reform by individual states. Consequently, even in Russia, which has undertaken the greatest reform efforts to date, U.S. support has been provided in a series of stages corresponding to the reforms undertaken by Moscow.

U.S. bilateral economic support activities have been concentrated on the more rapidly reforming regions of Russia, in order to develop the fundamental building blocks of a market system and to provide models at the local level. Initial efforts involved primarily technical assistance programs. In FY 1994, Congress increased assistance to \$2.5 billion.

In FY 1995, U.S. activities will shift to support for trade and investment. In order

General Purpose Forces Military Equipment in the CIS¹

Ownership (Country)	Tanks	APC/IFV	Arty	Tac SSMs	Aircraft	Helicopters
Armenia	120	300	220	0	6	30
Azerbaijan	380	720	165	0	47	15
Belarus	3,400	3,300	1,590	30	271	95
Georgia	50	70	60	0	15	0
Kazakhstan	1,100	2,200	2,000	0	32	100
Kyrgyzstan	240	465	135	0	200	0
Moldova	0	127	96	0	31	3
Russia	19,500	35,000	24,000	600	3,000	2,400
Tajikistan	200	420	200	0	0	0
Turkmenistan	900	1500	800	12	160	0
Ukraine	5,300	5,175	3,600	132	534	0
Uzbekistan	125	700	465	4	100	50

¹ Includes only Armed Forces. Does not include Border Guards and Internal Troops

SOURCE: DOD.

to lay the groundwork for this stage, Vice President Gore has met with Prime Minister Chernomyrdin in a series of meetings since 1993. The U.S. hopes that, as a result of these efforts, capital flowing from the U.S. private sector will play a larger role in the economic renewal of Russia.

At the same time, the U.S. is actively pressing the international business community and international financial institutions to assist Russia's efforts to move to a market economy. The urgency of such international support increased after the Russian parliamentary elections of December 1993, which reflected the growing disillusion of the Russian people with the reform efforts. It is primarily through international channels—particularly the International Monetary Fund (IMF)—that meaningful financial and long-term technical support can be provided to Russia and the other newly established states of the region.

The IMF has been designated by the U.S. and the other Western industrial nations as the main agent for steering Russia and the other Soviet successor states through the reform process. The IMF provides loans to states only after they agree to undertake macroeconomic policy changes and establish economic performance targets. The IMF turned its attention to the former Soviet Union in 1991, inviting the Soviet republics to enter into a "special

association" with the IMF and World Bank shortly after the failed August 1991 coup attempt in Moscow. Russia became a member of the IMF in June 1992; it has the ninth-largest IMF quota (which determines countries' voting and borrowing rights), ranking behind only the G-7 countries and Saudi Arabia. As of May 1994, Russia's quota allows it to borrow approximately \$4.1 billion annually—if it meets its IMF budgetary and macroeconomic reform targets, which so far have posed major problems.

In April 1993, the G-7 deputies announced a \$43 billion aid package to Russia. Because of Russia's problems with meeting IMF performance targets, the G-7 countries also agreed to create a new loan facility within the IMF—the Systemic Transformation Facility (STF)—which is intended to address criticisms that the rigorous conditionality of the IMF does not permit it to be sufficiently responsive to the needs of Russia and the other former Soviet republics. As of April 1994, Russia had received \$3 billion in loans under the STF.

Russia's Challenge on the CFE Flank Agreements

The CFE Treaty signed by members of NATO and the Warsaw Pact in 1990 called, among other things, for limits on the number of forces that could be deployed on the

northern and southern flanks of the former Soviet Union. These limits are to be achieved by November 1995.

However, since 1992, Russia has sought to have the flank limits revised upward to account for its assessments of new security threats to Russia in the wake of the Soviet Union's demise. Russia believes that increased turmoil in regions like the Transcaucasus and the possibility of a "Muslim threat" from the south requires it to have more forces deployed on its southern flank. On September 5, 1994, Minister of Defense Pavel Grachev emphasized this point by stating that the limits were against Russia's "vital interests."

Currently, agreements call for the Russian military to have no more than 580 armored personal carriers, 700 tanks, and 1,280 artillery pieces in its northern and southern flanks by the deadline in 1995. The agreement does, however, allow the Russians to transfer unlimited numbers of armored personnel carriers to internal security forces (as opposed to the Russian army) in the flank regions, as long as "such organizations refrain from the acquisition of combat capabilities in excess of those necessary for meeting internal security requirements." Moreover, the treaty offers Russia the possibility of addressing its flank concerns without breaking the limits through storage rules, temporary deployments, non-limited equipment, and other means.

Since 1992, a Russian military build up in the southern flank region has occurred, with the transfer of troops and weapons previously stationed in the Baltic states and East Germany. In 1994, Russian deployments in the flank regions exceeded the November 1995 limits by approximately 2,000 armored personnel carriers, 400 tanks, and 500 artillery pieces.

The flank limits were negotiated at the behest of Turkey and the nordic NATO countries out of concern that force reductions in Central Europe would be redeployed on the flanks and create an increased threat to those countries. They retain these concerns, and oppose Russia's request to revise the limits upward. There is also concern that if the CFE flank limits are revised, further revisions are bound to follow until the treaty is of little or no value. Additionally, some suspect that Russia is really seeking revisions in the flank agreement in order to enhance its military capability to impose its will in the "near abroad."

Although some Russian officials have stated that they intend to be in full compliance with the flank region limits by the deadline of November 1995, pressure to revise the limits will probably exist throughout the year. Moreover, the other signatories to the CFE treaty will have to decide what actions to take, if any, should Russia fail to comply with the limits by the deadline.

Greater Middle East

This chapter covers developments in the Greater Middle East from Marrakesh to Bangladesh—North Africa, the Levant, the Persian Gulf, Central Asia, and South Asia.

The region is not a cohesive whole; in particular, U.S. policy issues in South Asia often differ from those in the rest of the region. Nevertheless, there are some important common threads from the point of view of U.S. security interests.

Defining Trends

The political-military landscape of the Greater Middle East region has undergone a far-reaching transformation since 1990. Three major events have had a direct impact upon the region: the retreat of Moscow from its previous role as a major power broker; the initiation of an Arab-Israeli peace process at Madrid in October 1991; and the victory of the Western coalition in the Gulf War. In their wake, traditional strategic relationships have begun to shift. A new and more fluid balance of power is emerging in the region as the unifying notion of pan-Arabism gives way to national interests, the Arab-Israeli conflict ebbs, and new states emerge on the rim of the former Soviet Union.

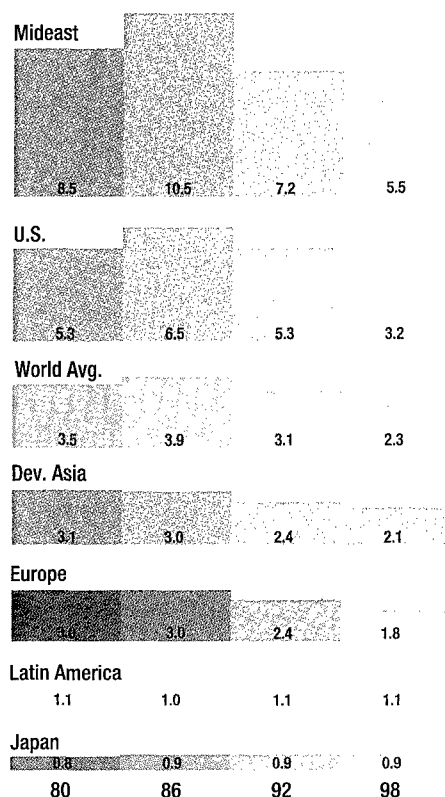
These and related currents present fresh challenges for governments in the region, as well as for the U.S. and the West. Population pressures, reduced export revenues, urban environmental problems, and growing economic and social needs are taxing government capacities. Where the challenge is not met, messianic religious movements that espouse anti-secular and anti-Western themes are gaining popular favor and threaten to become a destabilizing force. Islamic revivalism is the most pronounced of these, but extremist movements also include Arab nationalists and Hindu revivalists in India. In Turkey, Iraq, and some of the newly established states of the former Soviet Union, ethnic separatism has emerged to threaten the foundations of the nation-state. Even more portentous have been decisions by some governments in the region to acquire weapons of mass destruction (WMD); particularly worrisome is the situation in South Asia, where the nuclear forces of India and Pakistan have developed effective delivery systems.

Emerging Security Concerns Are Encouraging Proliferation in the Middle East Region

Weapons of Mass Destruction. In the post-Cold War Greater Middle East, the decline of regional deterrence previously

Changing Pattern of World Military Spending

(Percent of GDP)



SOURCE: IMF, World Economic Outlook, October 1993.

provided by superpower security guarantees has caused many nations to turn toward doctrines of greater self-reliance in security. The 1991 Gulf War may have deepened, rather than ameliorated, regional security concerns, and the result has been an increase in regional defense budgets and arms purchases. The Middle East has, of course, seen arms races before, but what is new and disturbing in the current rearmament cycle is the escalatory danger of weapons of mass destruction (WMD) acquisition. States that depended on security guarantees by superpower allies and are now compelled to rely on themselves are likely to regard WMD acquisition as an urgent priority.

Increasingly, Middle Eastern political and defense elites are coming to see WMD as uniquely suited to filling the emerging security vacuum. WMD acquisition in the Middle East has been encouraged by many factors:

- The search for deterrence and for affordable alternatives to conventional arms;
- The increased availability of nuclear technology, fissile material, WMD infrastructure, and delivery systems;
- The example of regional NPT signatories (particularly Iraq) developing covert nuclear programs without incurring sanctions, at least initially;
- The political impact of chemical weapons use during the Iran-Iraq war;
- The probable growth of the Israeli nuclear stockpile and the modernization of its delivery capability;
- Fears of the emergence of another rogue regime that could threaten moderate governments;
- Insecurities generated by the seemingly permanent state of hostility among Iran, Iraq, and the Gulf Cooperative Council (GCC) states;
- Doubts about the willingness—and, given U.S. force structure cuts, the ability—of the

U.S. to intervene again in the region on a massive scale;

- The attraction of WMD for radical regimes seeking instruments of revolution; and,
- A desire by regional states to increase their political-military clout, gain international prestige, divide coalitions, or intimidate neighbors.

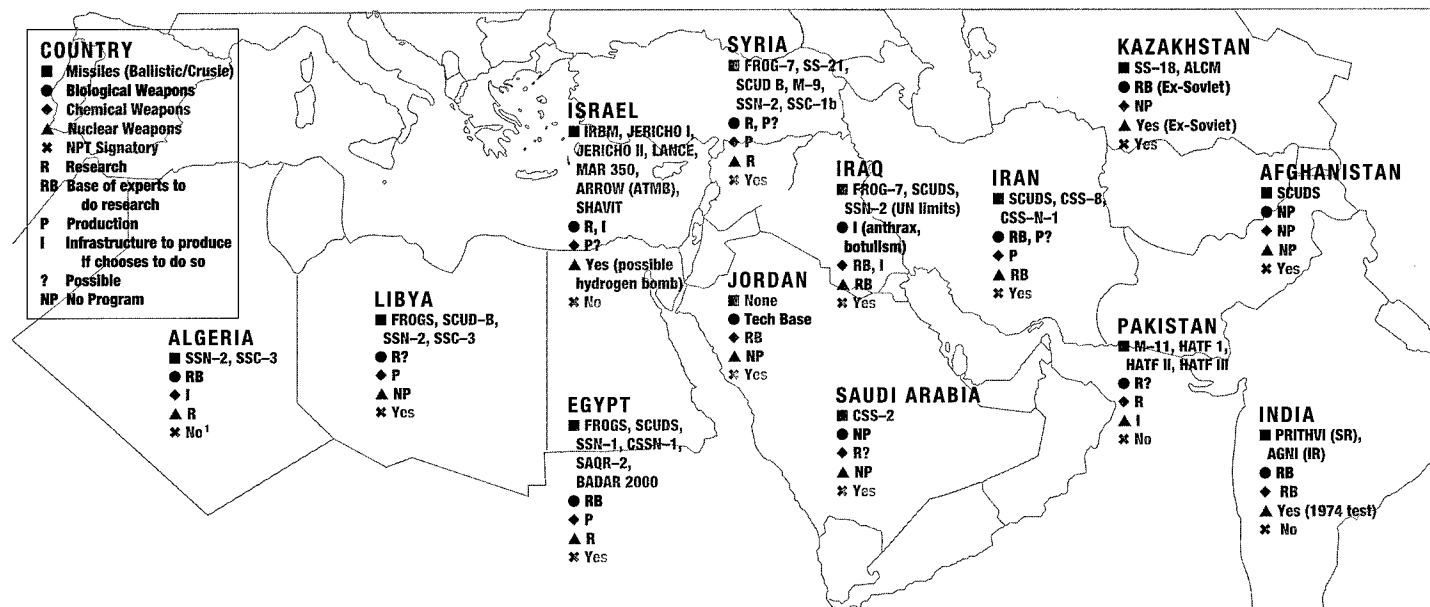
In virtually every case where WMD programs have been initiated, the financial burdens have been greater than anticipated. Some governments, particularly Iraq's, have made the investment eagerly, even though this has involved sacrificing their populations' standard of living to some extent.

In the final analysis, the acquisition of an indigenous capability is not likely to bring long-term savings over reliance on sophisticated conventional arms, since building and sustaining the necessary infrastructure is expensive. On the other hand, acquiring biological, chemical, and even nuclear arms and their delivery systems from outside suppliers may indeed be regarded as a bargain by states looking for a relatively inexpensive force multiplier.

While nuclear weapons acquisition has been a clear priority for some Middle East states, other countries have pursued chemical and biological weapons development with as much fervor as nuclear weapons. While little officially confirmed data exists on production or possession of chemical weapons outside of the U.S., Russia, and Iraq, at least eight governments in the region are suspected of pursuing chemical weapons—Syria, Libya, Iran, Egypt, Israel, Saudi Arabia, India, and Pakistan. Chemical weapons have been used by both Iraq and Iran during the Iran-Iraq war, and by Iraq against its own population.

Despite initial optimistic assessments of damage to Iraq's WMD infrastructure (particularly the nuclear component), it now seems clear that little of that capability was destroyed during the Gulf War. In addition, efforts to locate and destroy mobile missiles were wholly unsuccessful, and relatively little of the deeply buried bunker system that houses Iraq's weapons and their command-and-control support was found or targeted. This was a function

Greater Middle East Proliferation Profile



¹ Algeria has stated its intention to join the NPT.

SOURCE: INSS from various sources, including Congressional Research Service; Carnegie Endowment for International Peace Non-Proliferation Project; International Institute for Strategic Studies; Anthony Cordesman, *After the Storm*.

of both poor tactical intelligence and the unavailability of munitions for deep penetration strikes.

Iran's WMD ambitions are the subject of wide speculation. Economists point to the fragile state of the Iranian economy and question whether sufficient resources can be committed to a nuclear program, as distinct from a chemical weapons program. On the other hand, given a tight resource constraint, Iran might find the pursuit of nuclear weapons to be an attractive alternative to a higher cost acquisition of large numbers of modern conventional weapons.

Missile Proliferation. Surface-to-surface missiles (SSMs) have already been employed in several regional conflicts, notably by both parties during the Iran-Iraq war, by Iraq during the 1991 Gulf War, and during the Yemen civil war. SSMs are the platform of choice for WMD weapons, as they can carry nuclear, biological, or chemical payloads with minor modification to the missile's configuration. Longer-range ballistic missiles, like the Chinese CSS II purchased by Saudi Arabia, are likely to prove most attractive. India, Pakistan, and Israel already have longer-range systems under development. But even shorter-range and generally less-sophisticated missiles such as Soviet-built SCUDs are valued

as deterrents in the Middle East because distances between urban centers are relatively short. Missiles such as SCUDs can also be effective weapons of terror against an opponent who lacks a retaliatory capability or is politically constrained. Iraq's use of SCUDs against Israel during the Gulf War is an example.

The lack of precision guidance on most of the earlier generation of weapons that comprise the bulk of current Middle Eastern missile inventories makes these missiles relatively ineffective for use against dispersed targets, such as military units. However, they are effective against concentrated targets, such as air bases, port facilities, above-ground command-control facilities, and headquarters.

The acquisition of SSMs by a number of Middle Eastern states attests to the diffusion of low as well as high technology weapons throughout the region. The regional arms race casts doubt on the efficacy of supply-based strategies of denial pursued by the Western industrialized powers. Indeed, some Western countries continue to supply dual use technologies to the Middle East, while SSMs are sold by Russia, China, and North Korea.

After Remarkable Progress, the Arab-Israeli Peace Process Turns to Israeli-Syrian Negotiations

Three events—the October 1991 Madrid peace conference, the September 13, 1993, signing of the Declaration of Principles between the PLO and Israel, and the July 1994 Jordanian-Israeli accord—may mark the beginning of the end of the Arab-Israeli confrontation. Progress has also been made in the multilateral talks, which involve the industrial states and a number of Middle East states, though not Syria or Lebanon. Several proposals, including for confidence-building measures, are being discussed in the Arms Control and Regional Security (ACRS) talks.

In the bilateral talks, attention has now turned to Syria, but it is by no means clear if a Syrian-Israeli peace accord can be reached before the June 1996 deadline for the next Israeli election. On the Syrian side, the most common interpretation is that President Hafez al-Asad is genuinely interested in a deal but is proceeding cautiously. He wants to recover the Golan, but as a member of the small Alawite minority, Asad must be sensitive to charges from Syria's Sunni majority that he has sold out the Muslim cause in Palestine.

Any Israeli-Syrian agreement will require compromises that each side will be reluctant to make. Both sides regard the Golan Heights as militarily valuable territory, which provides an intelligence listening post, dominates Israeli territory 600 feet below, and provides easy access to Damascus, which is only thirty miles away. Most analysts expect an Israeli-Syrian agreement patterned on the Camp David accord: Israeli withdrawal and full diplomatic relations between Syria and Israel, with both phased in over a period of years. This would be accompanied by a multinational peace force separating the two sides.

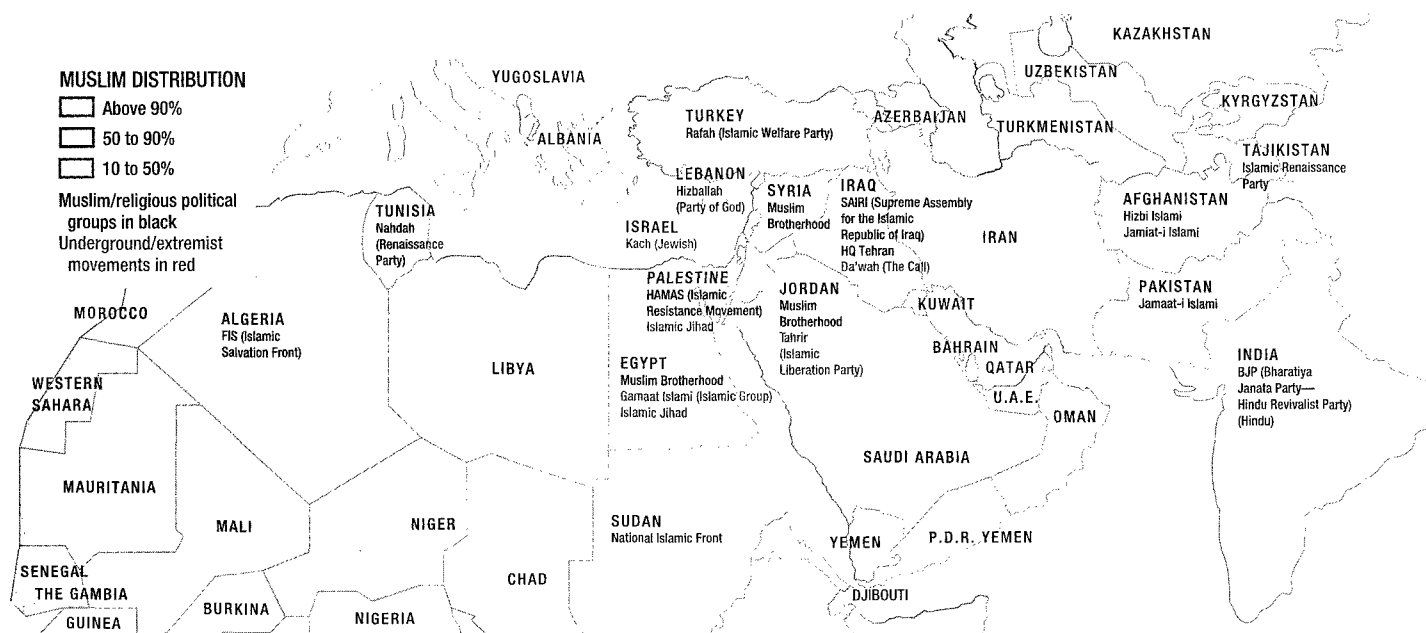
On the Palestinian-Israeli and Jordanian-Israeli fronts, the key issue in the peace process will be implementation of the September 13, 1993, accord and the May 4, 1994, Cairo Agreement. The transition from fighting to governing is proving difficult for the PLO and for the activists in the Israeli-occupied territories. Life in the Palestinian-ad-

ministered zone is not improving as quickly as the population hoped, in part because aid flows have been delayed by ongoing disagreement between donors and the PLO. The new authority will face continuing challenges in negotiations over the extension of its zone to the rest of the West Bank and over the territories' final status.

Security policy is a politically charged issue. Some Palestinians are determined to continue attacks on Israelis, while some Israeli settlers are determined to stop the Palestinians from exerting authority over the West Bank. Palestinians and Israelis will be watching each other closely to determine how vigorously such lawbreakers are pursued by the other side. The Palestinian security forces, most of which are drawn from the ranks of the PLO, will be under pressure to perform police tasks for which many members are not trained. The Palestinian leaders are under domestic political pressure not to pursue too vigorously terrorists from Hamas, which at least in Gaza has strong popular support. On the Israeli side, public opinion about the peace process will be strongly affected by terrorist episodes, and the government could come under pressure to suspend negotiations with the PLO in the event of more terrorist episodes like the October 1994 Jerusalem shootings and the death of a soldier.

The expectation of 1993–94 that the improvement in Israeli-Arab relations would transform the region into a zone of prosperity has given way to more realistic expectations. Mistrust will not disappear overnight. Nor will protectionist governments in the region quickly agree to open up their economies. Ten years after Camp David removed all formal barriers to Israeli-Egyptian trade, Israel sells less than \$10 million a year in the Egyptian market. There will of course be some economic benefits from the peace—for example, investors will be more willing to risk their funds in the region now that it is seen as less volatile—but the benefits are unlikely to have a discernable short-term effect on most national economies. The Palestinians are an exception. They are well positioned to serve as a bridge between Israel and the

Muslim Predominance in the Greater Middle East



SOURCES: CIA World Factbook 1994 and INSS. Classification of groups as extremist is approximate.

Arab world, and their economy is already highly dependent on trade.

The Islamic Revival Is A Growing Challenge to Regional Regimes

Following the overthrow of the Iranian shah in 1979, a politically oriented Islamic revival has gained strength in Iran, Egypt, Sudan, Algeria, and Lebanon. This revival rejects most Western models of modernization and secularism, seeks to establish governments based on traditional Islamic law, and in its most militant form works for the overthrow of governments tied to Western interests. Such movements are increasing in influence, intensity, and reach.

One must be careful, however, to distinguish extremists who practice violence from mainstream revival movements and parties that work openly for the gradual Islamization of their societies. In much of the Middle East, mainstream Muslim movements that work openly for gradual Islamization have put down deep roots and are unlikely to be easily displaced. In Egypt, the Muslim Brotherhood operates a network of grassroots institutions—including schools, clinics, banks, and charitable

foundations—that constitutes a semi-alternative government. Mainstream Islamic parties, when allowed to run in open elections, do well but usually do not have a majority. In Jordan's 1993 election, Islamic candidates secured one fifth of parliament's seats, down from forty percent in 1989; in Pakistan, the same year, they got four percent, down from eight percent in 1990.

Nor are revival movements in the Greater Middle East limited to Islamic populations. The Bharatiya Janata Party (BJP) has arisen in India to challenge India's tradition of secular rule. Israel has both religious parties that seek to make Israeli government and society conform to religious law, and outlawed extremist movements such as Kach. But Islamic movements, because of their breadth and intensity, present the greatest challenge to U.S. security interests in the region.

While the Islamic revival does not constitute a region-wide, monolithic movement, cross-border cooperation among individuals and groups—particularly among extremist organizations such as the Sunni Hamas in the West Bank and Gaza and the Shi'ite Hizballah in Lebanon—is growing. Increasingly important factors in providing linkage among extremist factions are the return to their homelands of Muslims who

fought against the USSR in Afghanistan and the training and support given to extremist groups by Iran and Sudan.

However, Islamic movements exhibit several weaknesses that inhibit their effectiveness. First, movements have displayed a tendency to splinter. The mainstream Muslim Brotherhood in Egypt, with a membership estimated at two million, has produced numerous extremist offshoots, such as the Jihad, which assassinated Sadat, and the Gama'at, which is currently conducting a guerilla war against the government. Algeria's Islamic Salvation Front (FIS) has virtually disintegrated into numerous, highly localized groups. Islamic movements lack a unifying, charismatic leader to give them coherence and direction. As a result, they are unlikely to forge a coordinated region-wide threat to Western interests.

Second, Islamic groups that have taken power have been unable to create stable governing institutions. After fifteen years of rule in Iran, the clergy have neither overcome divisions in their own ranks nor adequately addressed social and economic problems. In Sudan, a bitter civil war continues as the north tries to press Islamic law on the non-Islamic south.

Despite these disabilities, violence-prone Islamic movements in a number of countries still have the capacity to destabilize regimes and to raise the political and economic costs of containing them.

Most threatening in the short term are militant extremists who pursue their aims through violence and terrorism. Such groups have increased in size, militancy, and sustainability in recent years. The increased reach and sophistication of Islamic terrorist groups are illustrated by the bombings of the World Trade Center in New York and of Jewish targets in Buenos Aires and London.

While extremist movements will probably increase their activities, they are unlikely to unseat any regimes in the near term, except possibly in Algeria. Should the Algerian government fall, reverberations would be felt throughout the region. Extremist movements will continue to challenge the legitimacy of existing governments, draining support from mainstream movements, which

have been put on the defensive lately by growing extremism in their own ranks and increased repression from governments. In Tunisia, for example, all Islamic activists are in jail or have been exiled; in Egypt, the government has begun cracking down on the Muslim Brotherhood, as well as the radical extremists, but violence continues. In Gaza, radical militants in Hamas threaten the peace process.

However, demographic pressures, failed economic programs, and disillusionment with the quality of governance in many Middle Eastern states ensure that pressure for political change will continue to build. Where governments are reluctant to recognize moderate Islamic groups, domestic politics is likely to become increasingly polarized, to the detriment of existing secular regimes and the benefit of extremists.

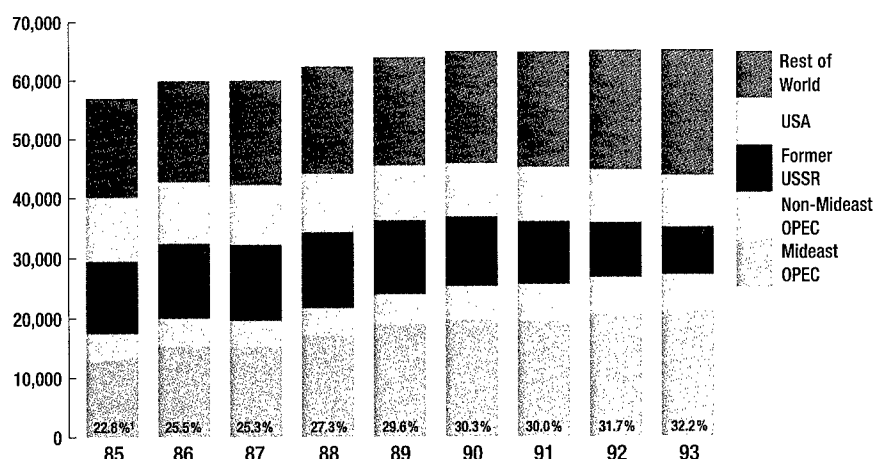
Regional Governments Face Challenges to Their Continuance in Office

In addition to the Islamic revival, governments confront mounting challenges to the status quo in a number of key states. Many regimes, under pressure for poor past performance, face rising expectations and declining resources. A better-informed public and burgeoning civic groups are demanding greater participation in government and less authoritarian rule. Leadership changes in several countries may hasten the process of transition. Challenges to existing regimes are likely to keep the area volatile and unpredictable.

A New Generation of Leadership is Inevitable in Many States. Many political systems in the region face challenges to their continuity from leadership succession. There are few well-established mechanisms for leadership change, and even where such processes exist, it is not clear that they will work well.

A number of the monarchies and one-party states on which the West relies for support have aging or ill leaders, some of whom are likely to be replaced within the next five years. King Hussein of Jordan is 59 and has recently been hospitalized for cancer; King Fahd of Saudi Arabia is 73;

World Oil Output (barrels per day, thousands)



¹ Mideast OPEC as percent of world output.
SOURCE: Petroleum Economist.

King Hassan II of Morocco is 65; and President Asad of Syria is 64 and suffers from heart trouble. In some cases (Jordan, Saudi Arabia), the lines of succession have been delineated. In others (Egypt, Syria), change could produce a struggle for power that may weaken the regime. The demise of King Hussein could adversely affect the peace process. King Fahd's successor might be less accommodating to the U.S. In almost all cases, leadership is likely to be assumed by a younger generation, often educated at home and with less exposure to the West. This could lead to greater independence in foreign policy and more reluctance to cooperate with the West.

Where leadership changes intersect with imploding political and social forces, a change of leadership could have profound implications for a state's foreign and domestic policy. In Algeria, a regime change, should it occur, is likely to be accompanied by domestic upheaval with the potential for the disintegration of the state. In Iraq, Saddam's removal could occasion serious instability, renewed ethnic and sectarian violence, the flight of refugees, and political or military intervention by its neighbors. Iran could experience a replacement of its clerical leadership, unable to satisfy economic demands or overcome diplomatic isolation.

Some of these changes (Iran, Iraq) could be favorable to U.S. interests in the longer term. The regime in Iraq could be replaced by one that is less repressive and more willing to abide by international norms. A change in Iran might put an end to that nation's support for anti-Western policies and international terrorism. However, leadership changes in key regional states now supporting U.S. objectives—Egypt, Saudi Arabia, Jordan, and Pakistan—are a more worrisome prospect.

Resource Pressures. The greatest natural resource of the Middle East is its oil wealth. The region has about 75 percent of the world's oil reserves, and in 1994 produced about 25 percent of the world's oil. The economic fortunes of the region are closely linked to the state of the world oil market, which the oil-producing states are no longer able to influence to any great extent; OPEC's effects on markets are generally limited in size and in duration. The paradox is that the lower the price of oil, the more dependent the world becomes on Middle East oil, because it is by far the cheapest to produce. Therefore, low oil prices increase the importance of the Middle East to the economy of the U.S. and its allies.

Both the Middle East and South Asia face population pressures. In particular, finding employment for those joining the labor force is a serious problem in many countries at a time when unemployment is high and job creation is constrained by low economic growth. The most likely scenario is rising youth unemployment, which may translate into political unrest, and add to pressures on weak and ineffective governments. Recruits for Islamic movements are often drawn from this pool of unemployed youth.

Middle East economies have done poorly in the last decade. For the region as a whole, per capita GNP fell an average of 2.3 percent annually from 1980 through 1992, a cumulative 25 percent drop. Three factors explain this fall in income. First, 1994 oil prices, while fluctuating, average about a fifth of the 1980 level, when adjusted for inflation. Second, population has doubled since the 1973 oil price rise. Third,

governments in most countries have fed unrealistic popular expectations about their ability to continue high expenditures and low taxation.

Economic problems are felt most keenly in the poorest countries of the region. Income disparities remain glaring: the most populous Arab country, Egypt, has a per capita income that is 3 percent that of the richest, the United Arab Emirates. On the other hand, the Western-oriented poor Arab states—Egypt, Jordan, Morocco, Tunisia—have all had relatively good economic growth in 1993 and 1994, thanks to better economic policies and continuing debt relief.

The oil producing nations will not be able to achieve the level of per capita income that they enjoyed during the oil boom of 1973–1985. After postponing painful adjustment as long as possible while continuing with inappropriately large state-sector investments, Algeria and Iran have run into serious external debt problems. Both have been forced to cut spending, endangering social stability and, in Iran's case, curtailing military ambitions. Saudi Arabia is borrowing heavily abroad to finance budget deficits. It has taken some measures to reduce the deficit, including stretching out arms purchases from the U.S. However, continuing expenditure reductions and new taxes will be needed in order to avoid unsustainable foreign debt in the long run. In the meantime, Saudi Arabia has ample resources and borrowing capacity to continue its current policy path.

Israel provides a contrast to this trend. Israel's per capita GNP is about \$12,000, 75 percent above the Saudi level. Furthermore, Israel's economy is growing at 3–4 percent per annum on a per capita basis. Much of the reason for this is that economic policies have helped correct the chronic budget deficits and overregulation that caused triple-digit inflation and stagnant output in the early 1980s. In addition, progress in the peace process is likely to give a boost to investment. After absorbing close to one million immigrants in 1989–94, Israel's unemployment rate has been brought below 7 percent. In short, Israel's economic lead over Arab states is likely to widen.

Allocation of scarce water resources, especially from rivers flowing across state boundaries, is a source of tension. The Middle East has the least water per capita in the world—1,070 cubic meters per capita per annum, compared to the world average of 7,700. At the same time, it has the highest water consumption per capita in the developing world, at 1,000 cubic meters per capita per annum—about twice the developing country average of 510. Frictions between states over water allocation, such as occurred among Turkey, Syria, and Iraq in the 1970s, can contribute to domestic as well as regional instability. Water scarcity contributes to increasing food imports, which puts additional pressure on scarce funds.

The outlook for India is more optimistic. Thanks to an opening of the economy to market forces, India's per capita GNP grew 3.1 percent per annum from 1980 to 1992. Western and southern India seem poised on the edge of an East-Asian-style economic miracle. The less educated north, however, is still bound by rigid statist policies and inadequate investment in education, and risks stagnation. The poor performance of the Hindu heartland could feed pressures from political-religious revival movements as well as tensions with the more prosperous regions. However, India's overall economic growth will make it increasingly attractive for U.S. investment and trade, although from an admittedly low base. (U.S. trade with India was \$6 billion each year from 1989 through 1993, or less than one percent of total U.S. trade and about 15 percent of Indian trade). India's economic boom is not, however, likely in the 1990s to change the general U.S. perception that India is not central to U.S. interests.

Difficult Circumstances and Poor Governance May Produce Some Failed States. The most extreme manifestation of government collapse is the failed state, the regional exemplar of which is Lebanon, where a civil war allowed local militias and extended families to dominate politics while the governments of neighboring Syria and Israel extended their influence into the country. Such states provide a favorable environment for radical movements and terrorist activities.

Israeli Prime Minister Rabin, PLO Chairman Arafat, and President Clinton at the White House signing ceremony for the Declaration of Principles, September 1993.



Source: White House Photo Office.

There is a risk of additional failed states in the region. Extremist movements already seek to overthrow the existing governments in Algeria and, to a lesser extent, in Egypt. In Algeria, state disintegration could occur. Elsewhere, dissident ethnic or sectarian groups desire secession from existing states. The Sudanese government faces continuing civil war with non-Muslims in the south. Both Turkey and Iraq face challenges from Kurds seeking to change the distribution of power within these states. (A U.S. military mission, Provide Comfort 2, is currently engaged in protecting the Iraqi Kurds in territory now under their control.) Tensions have increased between Sunnis and Shi'ites in Iraq, and between Berbers and Arabs in Algeria.

In Central Asia and the Caucasus, eight new states face the daunting task of creating nations from ethnically diverse populations. Of the five predominantly Sunni Muslim Central Asian states, four are headed by former senior officials of the Soviet Communist party, while one (Kyrgyzstan) is run by an individual who professes admiration for the democratic process. The anticipated collapse of these societies has not occurred in large part because of the continuing hold on central political authority by semi-rehabilitated Soviet officials, whose expertise in central management is valued by populations seeking to prevent the implosion of fragile economies and ethnically-divided societies. In addition, Soviet rule tended to have a strong secularizing effect, blunting the influence of religious forces. In the Caucasus region (Georgia, Armenia, Azerbaijan), only one of the original post-Soviet governments (in Yerevan) has

remained in power. Georgia and Azerbaijan are torn by ethnic violence. In Georgia, Abkhazian and south Ossetian separatists refuse to acknowledge the authority of the Georgian government in Tblisi. In Azerbaijan, the continued fighting over the predominantly Armenian enclave of Nagorno-Karabakh has heightened tensions between Armenia and Azerbaijan. In the North Caucasus, Russia has intervened militarily against the breakaway government of Chechnya, which declared its independence from Russia in 1991.

Regional Fragmentation Makes the Establishment of a Stable Security Framework Unlikely

The removal of Cold War constraints has encouraged the fragmentation of the Middle East into regional subgroups, a trend that will intensify. The Maghreb, the Levant, the Persian Gulf states, South Asia, the Caucasus, and Central Asia are each likely to follow separate paths.

The emerging regional blocs are primarily driven by economics, and cooperation within and among regional groups for security purposes is likely to be limited at best. Competition for scarce resources, the absence of a common security threat, domestic tensions, and pressure on the region's governments all serve to focus the attention of regional states on their own national interests, rather than security cooperation. The Arab Maghreb Union is unlikely to survive if Algeria collapses, while the eastern Mediterranean states still have tremendous problems to overcome in the Arab-Israeli peace process before security cooperation can become a reality. However, multilateral peace talks are moving the region toward more cooperation. As a result, the Levant may become one of the more promising areas for building future regional cooperation in economics, water control, arms control, and conflict resolution.

The collapse of the six-plus-two formula designed to unite Egypt and Syria with the GCC states as a deterrent mechanism in the Gulf is emblematic of the difficulties of establishing a stable framework for regional security cooperation. The region is returning to a checkerboard pattern

of balancing power, while looking to the U.S. as the defense of the last resort. This may increase feelings of insecurity in the near term, particularly on the part of key U.S. partners. Turkey, rejected for membership in the EU and increasingly alienated from Europe over Bosnia, feels cut adrift. Pakistan faces a dramatic change in its relationship with the U.S. after the Afghanistan war, and remains bitter over the Pressler Amendment (which prohibits U.S. assistance to Pakistan, to punish Islamabad for its nuclear weapons program).

U.S. Security Interests

Ensuring the Free Flow of Oil at Reasonable Prices

The U.S. wants to ensure that Persian Gulf oil flows without supply disruptions that could inflict considerable cost on the U.S. economy. The U.S. also wants the price of oil to be relatively stable at a level that does not throw the world into recession. Finally, the U.S. seeks to prevent any restraints on free shipping of oil along the sea lines of communication to the U.S. or its allies.

Preserving and Protecting the State of Israel

From the date of Israel's founding, the U.S. has been committed to protecting the territorial integrity of that state from the threat of aggression. The context for this commitment is changing as the Arab-Israeli peace process progresses and redefines the extent of Israel proper (as opposed to the occupied territories), and as the Arab rejectionist community is reduced. Israel's pursuit of the peace process is dependent upon U.S. guarantees of its security, including the annual appropriation of significant levels of military and economic assistance.

Maintaining a Regional Balance Favorable to U.S. Interests

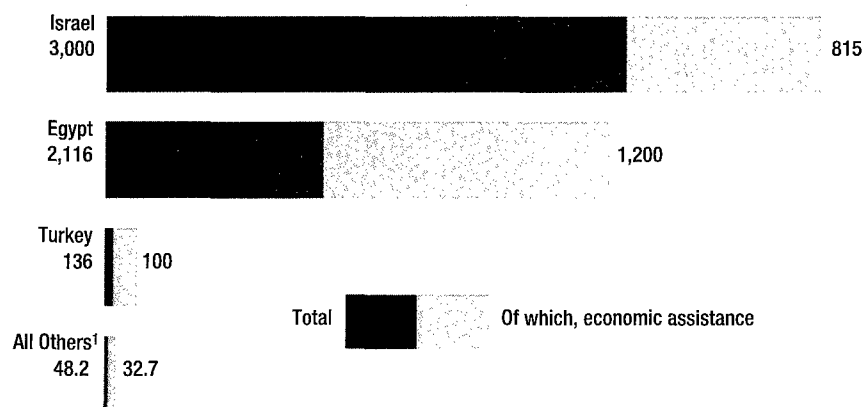
Maintaining local military and political balances of power favorable to U.S. friends and allies can help prevent the outbreak of major regional conflicts that could entangle U.S. forces, and will also provide some leverage in containing transnational threats, such as massive refugee flows.

One way of achieving this goal is to prevent the emergence of a hostile regional hegemon in any sub-region of the area. Any domination of the Persian Gulf by one state, especially a hostile state like Iraq or Iran, would threaten vital U.S. interests, because that state would be in a position to manipulate oil prices and to use its enhanced oil revenues to develop weapons of mass destruction—even if high oil prices could only be sustained for a few years until alternatives were developed. The domination of the Arab Fertile Crescent (Iraq, Jordan, Syria, Lebanon) by one state could endanger the Arab-Israeli peace process. The domination of North Africa by a radical Muslim regime could produce large-scale emigration to Western Europe and threaten a key U.S. ally, Egypt.

Controlling WMD Spread

The spread of WMD and the technologies to support them is inimical to U.S. security interests. With the exception of the Israeli program, the U.S. has not condoned the acquisition of nuclear weapons by any

Recipients of U.S. Security Assistance in the Greater Middle East (FY 95 request, \$ millions)



¹ Of which: Jordan (\$15.5M), Oman (\$5M), Pakistan (\$5M), Lebanon (\$4.4M), Morocco (\$0.8M), Tunisia (\$0.8M).

Sources: INSS, from various sources, including Depts. of State and Defense; IISS; CIA.

NOTE: Totals include democracy training.

Highest Defense Expenditures in the Greater Middle East, 1993 (\$ billions)

Saudi Arabia	16.5
Israel	6.8
India	6.3
Turkey	5.0
Pakistan	3.5
Iraq ¹	2.5
Kuwait	2.5
Libya	2.0
Egypt	2.0
Iran	2.0
Oman	1.6
United Arab Emirates	1.6
Algeria	1.2
Syria	1.2
Morocco	1.1

¹ 1992 figure.

Sources: INSS, from various sources, including U.S. Depts of State and Defense; IISS; CIA; Anthony Cordesman, *After the Storm*.

Middle Eastern state, and has universally condemned the spread of biological and chemical arms. In pursuing a policy of nonproliferation, Washington will also have to balance worries over the destabilizing effect of uncontrolled WMD spread with sensitivity to the security concerns of Middle East countries, whose leadership is increasingly convinced that weapons of mass destruction enhance security.

Containing Radical Movements and Fostering Human Rights and Democracy

The U.S. has a security interest in countering extremist movements—whether religious or secular—that can destabilize states that currently support U.S. goals in the region. At the same time,

the U.S. has an interest in fostering democracy and supporting adherence to internationally accepted standards of human rights. However, the Greater Middle East has little tradition of Western-style democracy, except in India. Experiments in democracy could be short-lived, as was the case in Algeria, if elections are held before the establishment of a solid foundation of civic institutions and respect for human and minority rights.

The U.S. faces a delicate task in keeping these two interests—containing radicalism and supporting democracy—in balance. Pressure on friendly regimes to improve their records on human rights and to move toward democratic processes must be handled with sensitivity, lest it contribute to destabilizing fragile governments on which the U.S. relies. On the other hand, turning a blind eye to the domestic abuses of such governments can leave the U.S. open to charges of supporting repressive regimes, thereby reducing U.S. credibility in the region.

Promoting Stability in Peripheral Areas

The destabilization of the Caucasus republics of the former USSR could spill over into Turkey, a NATO ally. Increased Russian control over the Caucasus or Central Asia could become a point of friction between Russia and the U.S., undermining a key U.S. global interest. The U.S. therefore has an interest in helping to defuse tensions among outside powers interested in exercising influence in these regions, and supporting the stability of the newly-independent states.

Key U.S. Security Policy Issues

Maintaining a Pro-Active U.S. Policy Toward Regional Proliferation

In the past, the WMD threat was not regarded by U.S. policymakers as a primary regional security concern, either in the Levant or in South Asia. Overriding Cold War global security issues took precedence, making Washington reluctant to

Rabin, Clinton, and Jordan's King Hussein at the signing of the Israeli-Jordanian accord, July 1994, at the White House.



Source: White House Photo Office

pressure Pakistan or Israel on their nuclear programs. More recently, however, both the Bush and Clinton administrations have proposed ambitious regional nonproliferation proposals for the Greater Middle East.

The states in the region have not reacted enthusiastically to arms control initiatives. Although the use of chemical arms in the Iran-Iraq war and the fear that chemical or even nuclear arms would be used in the 1991 Gulf War refocused concern on the issue of controlling WMD, formidable obstacles remain to achieving arms control measures. They include:

- Arab insistence that Israel sign the NPT and bring its program under the scrutiny of the IAEA;
- A conventional arms race—with the U.S. as the main arms exporter—that discourages WMD arms control; and
- Outstanding bilateral disputes that have hobbled progress on nonproliferation, such as Pakistan's insistence on the repeal of the Pressler Amendment.

The Greater Middle East does not lend itself easily to region-wide proposals, because of the distinct identities of the component sub-regions. Further, U.S. nonproliferation policy must be balanced against overall U.S. interests. Clearly, U.S. interests are not affected equally by Israel's and Iran's acquisition of nuclear weapons.

Another issue is whether continued reliance on global mechanisms such as the NPT is appropriate. How should Washington respond, for example, if India and Pakistan were to create a new regional nonproliferation regime? Could Washington accommodate such an initiative with its public insistence on NPT adherence, which both parties have rejected?

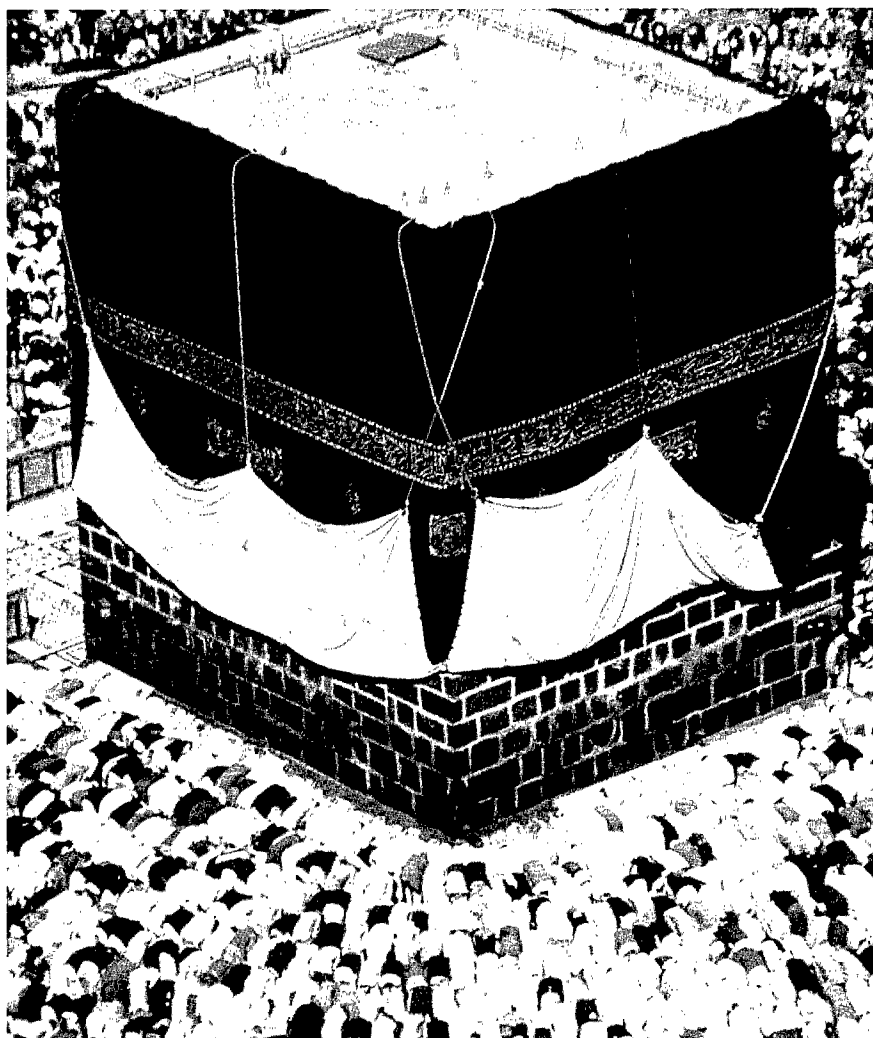
Finally, Washington must balance its commitment to curbing regional arms proliferation with continued support for conventional arms transfers to key Middle Eastern allies, some of which exacerbate security concerns among states that do not have such relationships with the United States.

Providing Resources for the Peace Process

Recent successes in the Arab-Israeli peace process offer the prospect for the first time of transforming the security environment of the Middle East. In the 1970s and 1980s, the Arab-Israel front had one of the world's highest concentrations of advanced weaponry. If the peace process broadens to include a Syrian-Israeli accord and deepens with a final status agreement between Israelis and Palestinians, the Levant states are likely to move towards smaller militaries with older weapons. Furthermore, security cooperation patterns could change, as Israel ceases to be a pariah. However, even under the best of circumstances, changes will come slowly. One short-term difference, however, could be a change in Israeli attitudes towards U.S. arms sales to Arab states, as indicated by the end of Israeli objections to Jordanian purchases of weapons systems like the F-16.

In the event of an accord between Israel and Syria, the U.S. may be asked to provide the main component for a new multinational force on the Golan Heights in addition to the 1,200 U.N. forces now stationed there. The new force could be similar to the multilateral forces and observers now in the Sinai Peninsula, which include 1,000 U.S. soldiers. Such a force might be asked to monitor a demilitarized zone, a broader weapons control zone, or restrictions on military operations. It may also establish listening posts that provide intelligence to each side on the other's movements. The force is unlikely to be asked to enforce the peace agreement. Since both sides keep substantial armored forces nearby, the Golan would pose a difficult military challenge for any international force charged with repelling an attack.

In one important way, an Israeli-Syrian agreement is likely to differ from Camp David: there is not much prospect of U.S. security assistance to Syria. However, in the



Pilgrimage to Mecca.

Source: Aramco World

aftermath of any accord with Syria that requires redeploying forces off the Golan, Israel will want to modernize its military equipment. Further, while Israel may be more at peace with its immediate neighbors, Tel Aviv worries about dangers from more distant adversaries like Iran and Iraq. To meet such needs, Israel may therefore request additional security assistance from the U.S. beyond the existing \$1.8 billion a year.

Any demands for more U.S. forces and more U.S. money after an Israeli-Syrian agreement could bring a reexamination of the \$1.2 billion per annum in military aid Egypt now receives. Cairo will argue that a strong Egyptian force is useful for the U.S. in the event of instability in the Persian

Gulf. Further, Egypt's domestic unrest makes this an awkward time to reduce the size of the armed forces, because of both their internal security role and the employment they provide for Egyptian youth.

Responding to Resurgent Islam

The growing Islamic revival raises important questions. Is Islam's resurgence a by-product of a search for spiritual meaning by alienated publics, or is it a politically motivated attempt to remove Western influence from the region? Will such movements make room for secular influences and peaceful dissent, or do they wish to establish an all-embracing ideology and authoritarian regimes? Western analysts are divided on these issues. Some view resurgent Islam as an ideological, xenophobic challenge to the Christian West, with confrontation and conflict the inevitable outcome. Many base this view on the fact that, in its most extreme form, resurgent Islam seeks to overthrow moderate regimes in the Middle East, endorses anti-Western strategies, and advocates Islamic supremacy.

The countervailing assessment is that Islamic groups are not necessarily or primarily anti-Western in orientation. Rather, much of their animosity is directed toward ineffectual governance at home. While the social practices that many Islamic groups wish to see enforced—strict dress codes for women, harsh penalties for theft, and so on—are not congruent with Western values, they do not pose a threat to Western security interests. Saudi Arabia, whose government enforces the strictest interpretation of Islamic law in the Middle East, has been a political-military partner of the U.S. for over half a century.

Two schools of thought have also emerged concerning appropriate strategies to deal with Islamic movements. One, led by a number of secular Middle East states such as Tunisia, Algeria, Syria, and Iraq that have been ruled by a single party or the military, sees little distinction between mainstream and militant movements, and has dealt harshly with both. In essence, such governments have drawn a line between religion and state, and refused participation by the former in the latter. Tunisia, for example, does not permit religious parties to run for election, and has

thoroughly cowed a previously active Islamic movement. But Tunisia has also countered Islamic activists by vigorous, ameliorative economic and social actions. Algeria abruptly halted moves to open its political system when Islamic movements appeared on the verge of electoral victory. The result has been an isolated and discredited government struggling to gain control in an underground civil war against a number of Islamic groups.

A second school of thought advocates opening the political door to mainstream but not extremist Islamic groups. Political participation, in this view, will compel movements to become more pragmatic, and will tend to separate moderates from militants. Such an approach requires a conducive political environment and shrewd handling. Jordan, where Islamic forces received 42 percent of the vote in 1989 and three cabinet seats, has tried this strategy, thus far successfully. The Egyptian government, under enormous pressure from Islamic groups, is at a crossroads, but is wary of making Algeria's mistake of opening the system too widely and too quickly.

Policy analysts are at odds over the utility of a dialogue with Islamic movements. Algeria is on the cutting edge of this policy debate. The U.S. has favored a political solution and a dialogue with FIS elements that favor peaceful change. The French, on the other hand, have been more reluctant to talk to Islamic activists. However, the Algerian and French governments have been moving toward a more flexible position on dealing with moderates in the FIS, while still steering clear of terrorists who target foreigners.

Maintaining Dual Containment and the Regional Balance of Power

Enunciated by the current administration, the policy of "dual containment" identifies both Iran and Iraq as hostile states and rejects the previous policy of tilting toward one to contain the other as the need arises. Instead, the U.S., with help from its European allies, will strive to prevent either from achieving Gulf hegemony or attacking its neighbors. In Iraq, the policy officially demands fulfillment of all

U.N. Security Council resolutions instituted after the Gulf War, which is interpreted by many as tantamount to seeking a regime replacement. The U.S. relies on drastic import and oil export restrictions and no-fly zones in the north and south of the country as instruments to that end. In Iran, a change of regime behavior on six key points is sought, among them cessation of terrorism, overt opposition to the peace process, and attempts to destabilize neighboring states. To this end, the U.S. seeks to deny credit and military technology to Iran.

Dual containment has generated debate on several grounds. Some argue that the oil export embargo on Iraq has penalized its people without producing a regime change, while measures taken to protect the Kurds in the north could result in Iraq's fragmentation. This would dramatically upset the Gulf balance of power in favor of Iran. Hence, these critics argue for less severe measures that would allow some economic recuperation and assure Iraq's territorial integrity.

Supporters of the policy point to Saddam's October 1994 military posturing on Kuwait's border as evidence of the need to continue, and perhaps to intensify, containment of the Baghdad regime. They cite success in compelling Saddam Hussein to submit to international inspection of WMD facilities and to recognize Kuwait and its borders. Moreover, his regime has been gravely weakened by rampant inflation, drastically lowered living standards, and a shrinking power base, making future Iraqi aggression less likely. The question is whether more of the same will produce his overthrow or whether his security apparatus will enable him to hold out longer than the West is willing to maintain sanctions.

In regard to Iran, some have argued that Tehran's objectionable behavior might better be modified by less restrictive economic measures that would open the country to Western influence and strengthen pragmatic elements. They favor dialogue, normalization of relations, and Iran's gradual integration into a regional security framework. However, there is not much evidence that those who determine policy in

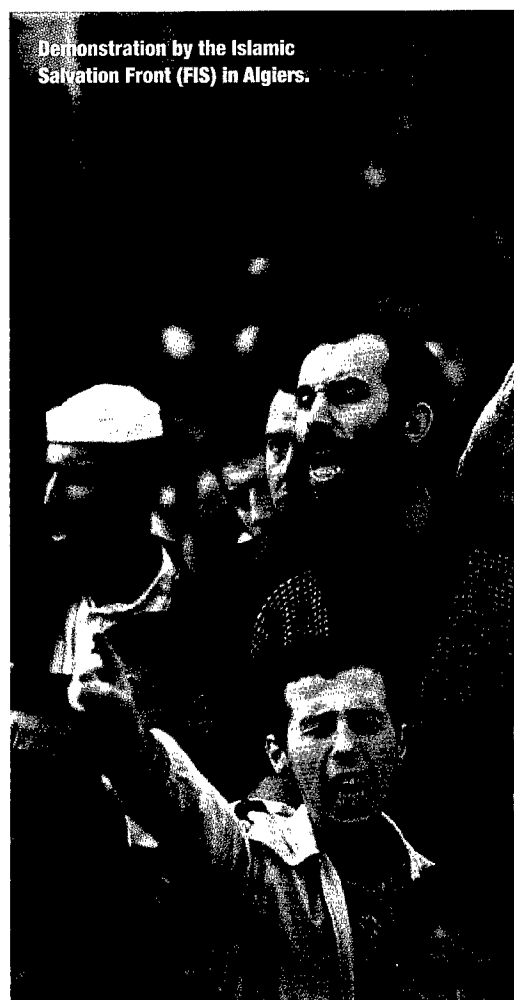
Tehran are interested in discussions with the U.S. or that Iran would be an acceptable regional partner until its behavior changed. Also, a nettling issue is how to prevent Iran from using increased access to credit to finance additional military expenditures. Another is the question of what instruments of deterrence against renewed aggressive behavior could be used should a more conciliatory policy fail. Advocates of the current policy point to some success in curtailing Iran's military expenditures through constraints on credit: Iran's annual military purchases have declined from \$2 billion in 1989-1991 to \$800 million in 1993-1994.

Also at issue is whether the U.S. will be willing to shoulder the burden of dual containment as it draws down its forces. The Gulf is already the most heavily armed region in the less developed world, and the arms race there is becoming ever more lethal and burdensome to the countries involved.

The October 1994 Gulf crisis demonstrated the growing expense of the policy to the U.S. and the Arab Gulf states. The cost of sending U.S. troops and equipment to the Gulf to compel a withdrawal of Iraqi troops from Kuwait's border may reach one billion dollars. The crisis brought home the need to contain Iraq more effectively and at lower cost. The most critical issue connected with dual containment, however, is how long it can be maintained.

In the Gulf, the U.S. must rely for support on the weakest Gulf element in the triad of powers—Saudi Arabia and its GCC partners. While economically well-off, these states lack the manpower to defend themselves. The GCC states combined have about one fifth of the population of Iran and Iraq and about one fourth the men under arms.

Protection of the GCC is based on a four-tier strategy. The first tier consists of the military forces each GCC state can contribute. These forces are limited. Saudi Arabia possesses a reasonably effective air force and air defense system, but no other GCC state has indigenous air, ground, or naval assets that could do more than act as a tripwire in a military assault by Iran or Iraq. However, in the wake of the Gulf War, GCC forces are improving their



Demonstration by the Islamic Salvation Front (FIS) in Algiers.

Source: Gamma Liaison

equipment, training, doctrine, and joint coordination.

The second tier consists of integrated defense mechanisms constructed by the GCC which can act as a force multiplier. These are also minimal. The GCC joint force, the Peninsula Shield, consists of about 10,000 men, which may be doubled in the next few years. The GCC plans greater progress toward integrated command and control as well as joint operations; however, progress has been slow.

The third tier is U.S. and allied capacity to defend the GCC, which depends on prepositioned stocks in the region, local willingness to host such forces, and U.S. lift capacity. All have improved greatly in the wake of the Gulf War, although the U.S. military drawdown in the Europe may weaken this tier. Governments may also be less willing to host U.S. forces as domestic dissent in the Gulf rises and as local voices,

including Islamic militants, demand more government accountability.

The fourth tier is the wider base of support for the U.S. in the Middle East, particularly from Turkey, Israel, and Egypt. These countries are important for:

- Logistic support (Turkish air facilities are essential to Provide Comfort, the mission to protect the Kurds in northern Iraq);
- Intelligence, particularly of incipient terrorism and sabotage;
- The contribution of local forces to any military conflict, which is necessary to broaden the coalition and secure its regional acceptability; and
- Political support.

Regional states may be less willing to support robust containment of Iraq and Iran than the U.S., for example, because Iraq and Iran are still their neighbors with whom they must still do business on many bilateral issues. Turkey and Egypt are more willing to remove sanctions from Iraq than is the U.S.

There has also been serious erosion of support for dual containment among European countries. Russia, France, and Italy are clearly preparing to do business with Baghdad after sanctions, and are anxious to see the export restrictions lifted once Iraq has fulfilled the provisions of U.N. Security Council resolution 687 concerning WMD and Kuwait. However, they are prepared to support limitations on Iraq's rearmament. Many states have not agreed to the credit restrictions the U.S. would like to see imposed on Iran. In 1994, seventeen states agreed to \$9 billion of debt rescheduling for Iran.

Iraq's threat to Kuwait in October 1994 highlighted these uncertainties, revealing fissures in the international coalition and differences on how to deal with Iraq. These vulnerabilities will make it a challenge for the U.S. to be able to continue the strict containment measures now applied to Iran and Iraq through the next two to five years.

Seeking Stability in South Asia

India and Pakistan, both *de facto* nuclear weapons states, have been unable to resolve territorial disputes—or even to sustain a negotiating process—on issues that have created strong nationalist feelings in both countries. For example, there seems little prospect that the issue of Kashmir can be settled to the satisfaction of both sides. Escalation of the Kashmir crisis has, in turn, poisoned the environment for progress in discussions between New Delhi and Islamabad on controlling the spread of WMD. Ironically, this inability to improve their external relationship comes at a time when both countries are enjoying improved prospects for economic growth and political stability at home.

The U.S. relationship with both nations is at a crossroads. India is eager to rehabilitate its bilateral ties with the United States, which deteriorated during the Cold War. Pakistan is anxious to improve its security links with the U.S., but its efforts are frustrated by Washington's overriding concern with Islamabad's nuclear program. The Pressler Amendment has brought to a halt nearly all U.S. assistance to Pakistan, yet the government of Benazir Bhutto believes that its security dependence on the U.S. is likely to increase.

A key policy question for Washington is whether India and Pakistan can be persuaded that the *perception* of nuclear capability—acknowledged possession of fissile material, a scientific infrastructure, technical proficiency, and means of delivery—is a sufficient deterrent against attack and that actually arming is unnecessary and destabilizing.

Virtually all Indo-Pakistani disputes are affected to some degree by the nuclear question, which has in turn inflamed tensions between New Delhi and Islamabad and increased the cost of precipitous political action. Further, the state of bilateral relations between the U.S. and these two states depends to a large degree on reaching a settlement of the regional nuclear issue.

Western Hemisphere

Latin America is reemerging after a long depression as an important and dynamic economic zone. A sweeping shift to market economics, the formation of cooperative sub-regional trade regimes, and a dramatic turn to democracy have not only stimulated international trade and investment, but have promoted an unprecedented sense of community based on common values and interests. The United States has reinforced these trends by ratifying the North American Free Trade Agreement (NAFTA) with Mexico and Canada, joining the General Agreement on Tariffs and Trade (GATT), and organizing the trade-oriented Summit of the Americas in Miami, Florida. Of both symbolic and practical importance, these historic events have broken through a long-standing U.S. and Latin American mental barrier against regional cooperation.

Despite the noble sentiments of the Good-Nighbor Policy of the 1930s, the 1947 Rio Pact, and the Alliance for Progress in the 1960s, economic integration and security cooperation have never been dominant aspects of U.S. strategic thought for the region. Rather, the central aim, with

roots dating back to the 1823 Monroe Doctrine, has been exclusion—using diplomacy and on occasion military might to keep rival powers from the hemisphere. During the Cold War, this view led the U.S. to try to limit the influence of the Soviet Union and its Cuban surrogate. Such concerns, especially in the Caribbean basin, have resulted in a number of U.S. diplomatic, economic, and military interventions.

Neighbors have long regarded Washington's approach to the region as fixed upon U.S. goals, with little concern for the interests and priorities of other American states. In years past, Latin and Caribbean leaders often complained about the United States' tendency to see the region through North American eyes and to impose its views on regional issues unilaterally without consultation. Confrontation and distrust between the United States and its southern neighbors became the norm. These days, however, relations across the hemisphere are more positive as shared interests promote mutual confidence and cooperation.

U.S. Military Interventions in the Western Hemisphere

DOMINICAN REPUBLIC

1903 Marines sent to Santo Domingo.

1916–24 U.S. forces invade in wake of unrest, establish a constabulary that comes under the control of Rafael Trujillo and paves the way for him to establish a brutal dictatorship after U.S. withdrawal.

1965–66 President Lyndon B. Johnson sends almost 25,000 troops to stop bloody civil war, fearing that one faction is controlled by Cuba.

PANAMA

1903 President Theodore Roosevelt sends ships to prevent landing of Colombian troops as Panama secedes from Colombia, ensuring construction of Panama Canal.

1989 U.S. invades Panama, seizes Gen. Manuel Antonio Noriega after years of increasing alarm at his growing army and reports of drug trafficking and money laundering.

HONDURAS

1903–26—Marines land on numerous occasions to safeguard interests of U.S. banana growers and property owners.

CUBA

1906–17 United States sends 7,600 troops to back up provisional government against uprisings and revolt.

1961 U.S.-supported Cuban exiles, operating from Guatemala, invade Cuba at the Bay of Pigs. The exiles are defeated by Fidel Castro's forces after President John F. Kennedy declines to provide air cover or military backup.

NICARAGUA

1909, 1912–25 Marines land periodically to restore stability

1926–33 U.S. sends troops to sustain conservative Nicaraguan leaders allied with American business interests, paving the way for a lengthy dictatorship by the Somoza family.

MEXICO

1914–17 President Woodrow Wilson launches military expeditions against Veracruz and border areas to protect U.S. business interests during fighting by Mexican revolutionaries.

HAITI

1915–34 President Woodrow Wilson sends U.S. marines to restore order in Haiti.

1994 U.S. uses military force to peacefully return President Jean-Bertrand Aristide to power.

COSTA RICA

1919 Marines land to protect U.S. interest.

GUATEMALA

1954 Central Intelligence Agency organizes and finances invasion to overthrow President Jacob Arbenz Guzman, based on fears that he is under the influence of communists.

GRENADA

1983–85 After an extremist faction seizes control of the marxist government, President Ronald Reagan sends U.S. forces to the island, citing danger for Americans there and a request from Caribbean neighbors for help in restoring democracy.

Source: Reprinted with permission of *The Washington Post*.

Venezuela, and the Commonwealth Caribbean, and the situation was deteriorating. Military or quasi-military regimes of both the left and right dominated the political landscape. Nicaragua's Sandinista revolution overthrew Anastasio Somoza and promptly abandoned promises to hold free elections; the communist New JEWEL Movement forcibly took power on the island of Grenada; and what would become a twelve-year civil war began in El Salvador. Prospects for free societies did not look encouraging.

Over the next ten years, however, dramatic ideological changes took place on both sides of the political spectrum; these were accelerated by the end of the Cold War. Modernizing Latin American and Caribbean societies began to repudiate both dictators and guerrillas, signalling their preference for the uncertainties of representative government over the violence and abuses of both leftist and rightist extremes. Democracy is now almost universally accepted throughout the hemisphere as the political ideal, although in practice it remains fragile in many countries.

U.S. assistance for this transition has ranged from voicing public support for newly-elected governments to dispatching qualified election observers when requested to providing technical and material assistance to sustain elected governments. The Organization of American States (OAS)—in its 1991 Resolution 1080, approved by the twenty-first General Assembly in Santiago, Chile—declared that the interruption of legitimately elected government in the region was grounds for collective action. Significantly, the OAS member states, overcoming their fixation on questions of national sovereignty, have acted on this commitment on three occasions. Their prompt condemnation and follow-up actions helped to bring an end to attempted coups in Peru (April 1992) and Guatemala (May 1993); only in Haiti (September 1991), where OAS mediation and sanctions proved unsuccessful, was it necessary to seek U.N. involvement.

Defining Trends

A "Silent Revolution" of Constitutional Democracy Has Taken Place

A remarkable political transformation has taken place in the Western Hemisphere over the last fifteen years. Of the thirty-five American states, thirty-four now have representative governments. Only Cuba retains an authoritarian political system. In 1979, the region's democratic community included only Costa Rica, Colombia,

The Primacy of Economics and its Effect on Security Policy are Being Recognized

Latin American and Caribbean elected political leaders have realized that the region's economic recovery depends on turning from a discredited import substitution model to free markets and export-oriented growth. Many countries have endured—or are enduring—several years of painful reform and adjustment in order to effect this change of direction. But the emphasis in most of the hemisphere's countries has now clearly shifted to achieving macroeconomic stability, dismantling institutions of protectionism and statism, stimulating private initiative, attracting foreign investment, and accepting closer collaboration with the United States, which many neighbors had resisted for years.

Structural economic reforms are showing varying degrees of success. Bolivia has reduced inflation from 25,000 percent in 1985 to about 9 percent in eight years. Argentina's recent sale of state-owned companies has brought the Menem Government almost \$8 billion in cash and debt

reduction. The region as a whole has been able to raise an average of \$12 billion in bond and stock offerings in the international markets during 1991 and 1992, compared with an annual average of less than \$1 billion throughout most of the 1980s.

Free market adjustments have caused nations to scrap or modify protectionist laws, unilaterally lower tariffs, and lift non-tariff barriers. For instance, Mexico, Chile, Argentina, Colombia, Venezuela, and Bolivia now have an average external tariff of 9 to 12 percent. A few years ago, tariffs averaged 100 percent. These and many other examples of the region's new economic promise and investment potential have encouraged a parallel move toward a more integrated hemispheric economy.

Many Latin American leaders have long argued that trade, not foreign aid, is the key to building mutually advantageous relationships and making tangible progress toward a secure American neighborhood. Their view is becoming reality. Not only are restructured economies in Latin America and the Caribbean more compatible with one another; they are also more compatible with the United States and Canada. In this environment, intra-regional integration has begun to proceed in tandem with inter-American integration into the global economy. The Southern Cone, Central American, and Caribbean Common Markets—MERCOSUR, CACM, and CARICOM, respectively—are moving to dismantle internal trade barriers and stimulate greater integration. Mexico, Colombia, and Venezuela have announced their intention to establish a free trade pact. Chile already has signed such an accord bilaterally with Mexico, as have several Central American countries. NAFTA is the most recent and most ambitious effort to encourage further integrative efforts in the hemisphere. The business of the continent today is business.

While notable economic progress has been made in several countries despite the disastrous recession of the 1980s, the region's economies are not yet out of the woods. The relative success of Chile and Mexico is not necessarily indicative of how the whole region will evolve. Many Latin American and Caribbean states still face the pressures of relatively high inflation, fiscal deficits, overvalued currencies, large

The Santiago Resolutions of the OAS

REPRESENTATIVE DEMOCRACY

(Resolution adopted at the fifth plenary session, held on June 5, 1991)

WHEREAS:

The Preamble of the Charter of the OAS establishes that representative democracy is an indispensable condition for the stability, peace, and development of the region;

Under the provisions of the Charter, one of the basic purposes of the OAS is to promote and consolidate representative democracy, with due respect for the principle of non-intervention; . . .

THE GENERAL ASSEMBLY

RESOLVES:

1. To instruct the Secretary General to call for the immediate convocation of a meeting of the Permanent Council in the event of any occurrences giving rise to the sudden or irregular interruption of the democratically elected government in any of the Organization's member states, in order, within the framework of the Charter, to examine the situation, decide on and convene an ad hoc meeting of the Ministers of Foreign Affairs, or a special session of the General Assembly, all of which must take place within a ten-day period.
2. To state that the purpose of the ad hoc meeting of Ministers of Foreign Affairs or the special session of the General Assembly shall be to look into the events collectively and adopt any decisions deemed appropriate, in accordance with the Charter and international law.
3. To instruct the Permanent Council to devise a set of proposals that will serve as incentives to preserve and strengthen democratic systems, based on international solidarity and cooperation, and to apprise the General Assembly thereof at its twenty-second regular session.

debt burdens, inadequate internal investment, and weak government leadership.

Sustained Political and Economic Progress Demands Government Reform

Political and economic liberalization, which have yielded democratic elections and free market economies, also nurture anxiety within impatient electorates. The perceived or actual inability of governments in the region to reduce poverty and correct long-standing social inequalities has led to urban and rural violence in a number of nations. According to U.N. estimates, about 45 percent of Latin America's people live in poverty, up 3 percent from ten years ago. After a decade of recession, austerity programs, and structural adjustments, per capita income for the region in 1992 was still 7 percent below the figure for 1981, and the disparity between wealth and poverty is greater than in any other area of the world. The gulf in wages, decline in living standards, and loss of hope for the future have become more apparent—and politically volatile—as a result of rapid urbanization, chronic narco-corruption, and increased general access to means of mass communication. Frustration is building in groups, sectors, and even regions (such as Chiapas in Mexico or the Santiago de Estero area in Argentina) that are not prospering in the new economic environment. As a result, some turn to petty crime or emigrate to find a better life in a seemingly more

prosperous neighboring country—even from countries like Brazil, where this has not previously occurred. Both evangelical religious sects and insurgent movements are gaining appeal as citizens lose faith in the established institutions.

One way to reduce political instability would be improvement in the state's competence, honesty, responsiveness, and capacity to provide crucial public services. Trends in this area offer some grounds for hope. In three countries—Brazil, Venezuela and Guatemala—presidents have been forced from office for malfeasance and replaced through constitutional means. Elected leaders in a number of nations are moving to improve civil justice systems, eliminate the *de facto* special legal status traditionally enjoyed by elites, and provide for public order, health, and education to the extent that the resources at their disposal allow. The Inter-American Development Bank has adopted "modernization of the state" as one of its guiding principles. "Making Democracy Work: Reinventing Government" is one of the three themes on the agenda at the December Summit of the Americas in Miami.

Peace is Prevailing Across the Hemisphere

Traditional Threats of Regional Conflict Subside. Defense of sovereignty and the national honor are strong traditions throughout the Americas. The region's history, as recently as the 1980s, provides example after example of tension and conflict between neighboring states over disputed territorial boundaries, the possession of islands, or the use of common waterways. (See regional map.) Neither the hemisphere's collective-security treaty, the Rio Pact, nor the pressures of Cold War security concerns had much of an effect on these historic national rivalries. In fact, when the Rio Pact was invoked by Argentina in its 1982 war with Britain over the Falklands-Malvinas Islands, it proved ineffective in rallying diplomatic and military support. In Peru during the height of its recent internal struggle with the Maoist Shining Path insurgents, the government continued to garrison a large percentage of

Inflation and Growth in Major Latin American Economies in the 1980s and 1990s
(in percent)

	Inflation		Average GDP Growth	
	1989	1993	1981-90	1991-93
Argentina	4,923	8	-.9	8.5
Bolivia	15	9	.1	3.6
Brazil	2,960	2,250	1.6	1.5
Chile	17	13	3.3	7.9
Colombia	26	21	4.4	3.4
Mexico	20	9	1.8	2.4
Peru	3,399	41	-1.1	1.9
Uruguay	80	52	.3	4.2
Venezuela	84	44	.4	5.5

SOURCES: ECLAC, Dec. 1993; Inter-American Development Bank

its military units along its contested border with Ecuador.

Tensions over boundaries have eased somewhat in the 1990s as domestic political and economic transformations have taken hold in the region. Although old enmities retain their symbolic importance and timeworn suspicions persist, most are gradually becoming rhetorical. However, Latin American claims to a 200-nautical mile national territorial sea and airspace, which Washington does not recognize, remain a source of friction.

A favorable hemispheric security environment has been developing for several years. Guatemala, for example, has shown an uncharacteristic willingness

to consider recognizing Belize. El Salvador and Honduras are implementing the World Court's decision on their boundary dispute. A Central American Security Commission, established in 1990, provides a forum for negotiations on arms control and verification. Chile and Argentina have made unprecedented progress in eliminating frictions over their borders. Security- and confidence-building sessions between old adversaries Argentina and Brazil, initiated in 1987, have expanded to include Uruguay, Paraguay, and Chile. Perhaps the most important developments have been the following:

- The decisions of Argentina and Brazil to set up a nuclear safeguards regime in cooperation with the International Atomic Energy Agency.
- Argentina's dismantling of its Condor II missile program; and
- The decisions of Argentina, Brazil, and Chile to join the region's other republics in making Latin America and the Caribbean a chemical, biological, and nuclear free zone (Mendoza Accord and Treaty of Tlatelolco);

There are several explanations for the hemisphere's movement to reduce interstate tensions. One view stresses the necessity to adapt to emerging global political and economic pressures by exploiting the power of regional groupings. A second interpretation emphasizes domestic pressure on national leaders to focus on social and economic problems at home rather than security issues. The result has been a significant reduction in the average Latin American nation's military spending, from around 3.3 percent of GNP in 1987 to around 1.6 percent. This trend suggests a third explanation for the easing of regional security tensions: the armed forces of most Latin American countries lack the military capability—particularly in terms of training and readiness—to engage in sustained offensive cross-border operations.

None of this, however, means that the possibility of interstate conflict has been eliminated in the hemisphere. Population growth, increased migration to neighboring states, and internal instability could lead to heightened border tensions. A government under extreme duress at home might try to ease pressure by diverting popular attention to historic threats to national sovereignty.

The Potential for Internal Conflict Remains. What most elected leaders in the



Democracy, Historic Boundary Disputes, and Recent Internal Violence

Note: This map emphasizes the difference in size between the United States and the rest of the hemisphere. The other Americas are larger than the United States and Canada combined: 9 million versus 7.4 million square miles. Viewed from the south, the geography of Latin America and the Caribbean, and by extension the geopolitics, history, and culture, take on a different dimension.

Americas fear most is social conflict within their borders. The most serious threats to national stability, even in the U.S. and Canada, are generated by domestic violence and common crime, which are increasingly intertwined with international drug trafficking, ethnic divisions, poverty, and unresponsive political systems. Persistent insurgencies exist in Guatemala, Colombia, and Peru. A nascent rebellion in southern Mexico waged by the Zapatista National Liberation Army (EZLN) could expand beyond its base of support among the indigenous population of the state of Chiapas. Greater internal violence could lead to the temptation to resort to authoritarian solutions in a number of Latin American nations where the democratic process remains fragile.

Nationalist and Secessionist Movements Appear. A small number of nationalist movements dot the American region, but only recently have they been able to mobilize sufficient support to become potentially destabilizing forces. Some are comprised of indigenous minorities seeking economic and social justice through political actions and sometimes armed violence. Examples of such minorities include Mayans in Guatemala and southern Mexico, Quechua-speaking Indians in the Andean region, the Inuits of Canada—none of which openly advocates secession at the moment. In other places, there exist populations united by geography and relative prosperity who no longer wish to “subsidize” disadvantaged compatriots in poorer regions. Such a secessionist movement exists in the southern panhandle of Brazil.

The long-standing separatist movement in Quebec presents the most serious challenge to the stability of a country of major importance to the United States. The desire of French-speaking Quebec to preserve its identity became a burning question in Canadian politics in the mid-1980s, and the possibility of Quebec seceding from Canada is more realistic now than ever before. The separatist Parti Quebecois has assumed power in Quebec City; its leader, Prime Minister Jacques Parizeau, is committed to provincial referendum on sovereignty before August 1995. However,

a growing awareness of the likely economic costs of secession and a desire to remain Canadian among most of the English-speaking population of Quebec (about 20 percent of the total) and perhaps half of the French-speaking population suggest that a majority in favor of independence does not exist at this time. Popular support for independence is widely believed to hover around 40 percent.

However, nationalism in Quebec will not simply disappear, even if the present referendum is defeated. Should Quebec ever sever its ties with Ottawa, most observers believe that the parting will be relatively amicable, and that both Quebec and Canada will remain partners and allies of the United States. However, the cohesion of the remaining federation of Canadian states may prove problematic, and Washington might have to press hard to ensure that major accords—such as the St. Lawrence Seaway, NAFTA, the North Atlantic Air Defense System (NORAD) and many others—remain in effect.

The Role of the Military Remains Uncertain

The political transformation over the last fifteen years is usually remembered only as a transition from military regimes and dictatorships to freely elected governments. Often forgotten is the fact that most, if not all, of this century's military entanglements in government have been encouraged, even driven, by domestic instability or by politicians who courted security forces in the interest of removing unaccountable, failing administrations.

Most Latin American constitutions written this century have assigned to the armed forces the corporatist mission of presiding in a nonpartisan manner over the destiny of the nation by deciding when politicians have violated the constitution. It is no surprise that these military establishments have long regarded themselves as autonomous institutions. Today, military institutions are trying to reconcile traditional corporatist thought and the relatively new liberal thinking. The process is proceeding, but slowly. The future paradigm in each democracy undoubtedly will be a unique blend of both traditions, tailored to each country's circumstances.



The U.S. Coast Guard picking up Haitian refugees

The principle of democratic rule appears to have almost universal military acceptance. Most officers recognize that their past forays into politics, even if successful, have diluted their professionalism and undermined their standing in society. The majority appear to agree that, with an absence of credible external threats and serious budget constraints, each military department must reorganize into a streamlined, more modern, professional force. Two important issues over which officers are deeply divided, however, are the roles and missions that will guide the restructuring of the armed forces and the acceptance of subordination to civilian leadership that they have long distrusted.

While the military accepts democratic rule in principle, there is a widespread lack of confidence in civilian leaders to govern effectively. Disrespect for legislatures, political parties, current constitutions, and legal institutions are common in many Latin American countries. The attitude of the armed forces seems to reflect the view of a majority of the civilian public. Opinion polls in Ecuador, for example, show strong domestic support for the military stepping in again in times of crisis, and for military pressure to correct the failings of elected government. Popular sympathy in Peru for President Fujimori's military-supported "self-coup" against the legislative and judicial branches of government in April 1992,

and Venezuelan society's supportive reaction to two failed coup attempts led by junior officers in February and November 1992 suggest a significant lack of confidence in civilian leadership. In contrast to the perceived disarray with in state institutions, military establishments in most countries have modern internal managerial capabilities and, frequently by default, support remote, often ignored sectors of civil society by participating in nation-building activities and providing government services.

The U.S. Agenda of Inter-American Security Relations is Shifting

The U.S. has traditionally seen its security tied to stability in the region. More specifically, since the end of Second World War, the United States has consistently defined six strategic interests in Latin America and the Caribbean:

- Protecting access to and transit across the region, including unrestricted use of the Panama Canal;
- Preventing hostile powers from gaining a position of strength in the hemisphere;
- Maintaining a small military presence at several bases in the region (naval and air facilities at Guantanamo in Cuba and Roosevelt Roads in Puerto Rico; Army, Navy, and Air Force installations in Panama's Canal Zone; and joint use of the Honduran Air Force base at Soto Cano);
- Preserving the ability to obtain essential raw materials (particularly bauxite and petroleum);
- Protecting U.S. government and commercial investments; and
- Getting hemispheric solidarity for U.S. positions in international fora.

However, Washington has never committed any significant amount of national treasure to achieve these interests. Moreover, their strategic significance has steadily declined over the last fifteen years as it has become increasingly apparent that there are no credible military threats to U.S. domestic security within the inter-American region. The hemisphere today is important for a different set of reasons:

● **Economic Interests.** Neighboring countries have become the fastest growing market for U.S. export trade and investment at a time when this is essential for a healthy U.S. economy. Several states con-

tinue to provide petroleum and other important raw materials needed by U.S. industry. The region's economic potential is increasingly being recognized by extra-hemispheric economic competitors from Japan and the European Union.

- The possibility of confrontation over issues related to economic sovereignty is real. Three areas of friction today include the protection of offshore claims out to 200 nautical miles, the enforcement of international regulations governing fisheries, and the transfer of sensitive technologies.

- New transnational security threats in the region, such as narcotics trafficking and environmental degradation, cannot be addressed effectively without the cooperation of other American states.

- Massive and sustained migration, mainly from Caribbean basin countries, is reshaping the United States in such areas as employment, public health, and education. The political importance of immigrants—already powerful in Florida, Texas, and California—is growing on the national level as well, creating new links with northern Latin America and the Caribbean.

U.S. Security Interests In The Region

In identifying U.S. interests in the Western Hemisphere three points need emphasis. First, the United States has long placed global interests ahead of purely regional ones. However, the changing economic demands that produced NAFTA may portend a more important role for regionalism. Second, the twentieth-century U.S. approach to security has combined principle with pragmatic calculation. Concern for democratic forms of government, human rights, self-determination, and free-market capitalism have been balanced with the necessity to defend the nation and retain freedom of action in world affairs. Third, the line between domestic and hemispheric policy is becoming harder to define. There are few other areas of the world where so many do-

mestic political interests, advocacy groups, and lobbies are tied to regional rather than strictly national interests and concerns.

Encouraging Democracy in the Hemisphere

The United States sees the rising tide of democratic reform promoting stability and peaceful internal change. Representative governments share core values, tend to settle disagreements with neighbors without conflict, make better partners in trade and diplomacy, and reduce the desire of citizens to migrate. It is therefore in the U.S. interest to encourage and consolidate democracy in the hemisphere. Only Cuba is out of the fold at the moment, but the durability of democracy in many other Latin American and Caribbean countries will depend upon the character of governments and their ability to effectively deal with long-standing internal political, economic, and social problems. This is especially true in Haiti.

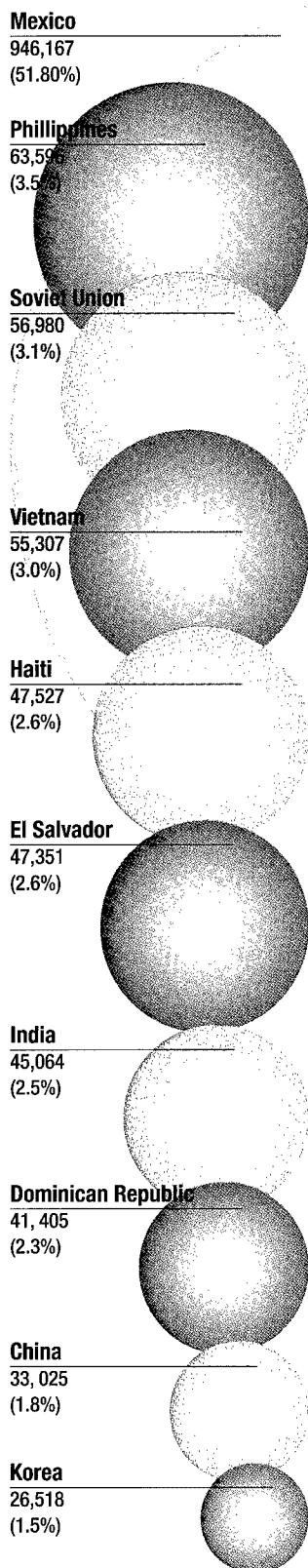
Expanding Access to Regional Economic Markets

Tightly intertwined with the U.S. desire to encourage democracy is its economic interest. The U.S. wishes to see trade liberalized in the Western Hemisphere, in order to build a free trade area, in President Bush's terms, "from Alaska to Patagonia."

The Latin American and Caribbean region boasts a large and growing market with a population of over 470 million that may exceed 750 million by the year 2010. Over one-quarter of that number live in Mexico and one-third reside in Brazil. Two-way trade with Latin America and the Caribbean has already more than doubled since 1983, from \$67 billion to roughly \$153 billion last year. The U.S. is already a significant partner, with 37 percent of its global exports going to the hemisphere, with 25 percent of those to non-NAFTA markets. The U.S. sells as much to Brazil as to China, and more to Venezuela than to Russia. Ecuador is a larger export market for the U.S. than Poland and Hungary combined. Since 1985, U.S. exports to the hemisphere have generated approximately 900,000 jobs in this country. Continued

In conversations with many of the region's national leaders in December 1992, President-elect Clinton provided the broad outline of his vision of U.S. interests. "Together we can advance our shared agenda," he emphasized, "not only of economic progress and political democracy, but also of protecting our environment, resolving regional conflicts, strengthening and promoting democracy where it does not yet exist, and ridding our hemisphere of the scourge of drug trafficking. Together we can construct a genuine hemispheric community of democracies, one where open markets and accountable governments provide the foundations of freedom and prosperity." The Administration believes the December 1994 Summit of the Americas will accelerate the development of this hemispheric community and lay the foundation for regional cooperation into the next century.

Legal Migrant-Producing States for the United States, 1991



SOURCE: US Immigration and Naturalization Service

growth in trade is expected to generate 2 million jobs by the year 2003.

To achieve this progress, Washington is focusing on reducing trade barriers in the hemisphere and fostering more economic integration, including greater financial, telecommunications, transportation, and energy linkages, forward-looking investment agreements, and financial market reform. The implementation of NAFTA—and the prospect of broadening it to include other states in the region—is the single most important incentive to economic reform in the Americas, and is a cornerstone of economic security at home.

Responding to the Criminal Drug Trade in the Hemisphere

The illegal narcotics industry represents a serious threat to representative government in many Latin American and Caribbean nations. Its most destructive effect is the way it undermines a democratic society's core institutions—the legislative branch, the judiciary system, the forces of law and order, and the political parties—which in turn erodes a society's hope for justice. It also hinders economic development. "Laundered" drug money distorts local and national economies, and the trade in coca displaces traditional crops and disrupts labor patterns, as poor farmers are lured by the false belief that this industry will lead to financial security. Another impact is ecological. The demand to grow more coca leaves or poppies encourages unsound slash-and-burn farming techniques that destroy forests, and invaluable watersheds are polluted by the runoff of the precursor chemicals needed to manufacture the finished product.

The afflicted nations across the Americas, particularly Colombia, Peru, and Bolivia, cannot defeat this scourge alone. They desire U.S. assistance to develop their limited law enforcement and judicial capabilities. Their opponents are enormously wealthy and sophisticated narco-criminal syndicates that are adept at using propaganda, bribery, and violence to attain their ends, and that recognize no national boundaries. Should the need arise, they can quickly shift their manufacturing operations or smuggling patterns to another re-

gion or country. The challenge to national governments and the U.S. is to limit this flexibility, find their vulnerabilities, and assist each other in attacking them.

Controlling Migration Into the U.S.

The U.S. faces a growing wave of legal and illegal immigrants from the south that has increased steadily over the last forty years, often with U.S. encouragement. The United States is now the fifth largest Spanish-speaking country in the world. This has created daunting, destabilizing political and socioeconomic problems—public health, education, smuggling, street violence—in several southern and southwestern border states. One estimate of the cost of illegal immigration to California was \$2.3 billion for 1993. In response, Californians approved in November 1994 Proposition 187 by a 3 to 2 ratio barring illegal immigrants from receiving publicly funded health services, except in emergencies, and preventing their children from attending the state's public schools.

The number of undocumented aliens in the U.S. ranges between two and four million—a majority from the hemisphere. In addition, more than 22 million Hispanics legally live in the continental United States, according to the 1990 census—a 53 percent increase over 1980. "Latinos" are now the largest non-English-speaking immigrant group in the country.

While some of the Mexican, Central American, and Caribbean migrants are driven by political violence, most are influenced by U.S. economic wealth and this country's seemingly insatiable demand for labor. The U.S. market still demands the sort of low-wage labor in fields, factories, and service sectors that U.S. citizens are generally unwilling to provide. The complement to a free trade agreement, from a Mexican perspective, would be an agreement on freer movement of people. The ground swell of opposition to new migrants, however, is based less on concerns about competition for jobs, and more on the skyrocketing costs of the social programs associated with them.

Key U.S. Security Policy Issues

Historically, United States policy toward the inter-American region, especially with regard to military and security issues, has stopped in northern South America. Exceptions do occur—anti-narcotics policy in the hemisphere, for example, focuses on drug production and trafficking in several Andean nations. Washington also has had concerns about such diverse South American issues as national insurgencies and nuclear weapons development. These have not eased completely. As in the past, however, situations in the Caribbean Basin—affecting Cuba, Haiti, the Dominican Republic, Venezuela, Colombia, Panama, Guatemala and Mexico—tend to command the public's attention and delimit the scope of Washington's interest in the hemisphere. Three controversial issues facing today's policy makers appear to dominate the U.S. agenda.

Practicing Pragmatism in the Promotion of Democracy

The Clinton Administration's goal, as articulated in *A National Security Strategy of Engagement and Enlargement*, is to "preserve the dominance of civilian elected governments and promote their evolution into functioning democratic societies . . . committed to free markets and respect for human rights," targeting "states that affect our strategic interests, such as those with large economies, critical locations, nuclear weapons, or the potential to generate refugee flows into our own nation or into key friends and allies." The U.S. faces a need to balance the idealism of its goals with the stark realities of constrained resources, limited public support, partisan politics, and enduring suspicion across the hemisphere. Three immediate challenges currently confront the United States.

Restoring an Elected President in Haiti. In September 1994, the U.S. entered Haiti peacefully to oversee the return of the country's popularly elected government, ending President Aristide's three-year exile. In the process, Operation Uphold Democracy overthrew the nation's *de facto* military rulers and began an effort to

reign in the armed forces, police, and paramilitary groups. This use of U.S. military power in an effort to restore a democratically elected president was the first such operation in the Western Hemisphere ever authorized by U.N. resolution. It came almost a year after the Governors Island Accord failed, and it followed more than six months of intense consultations with Latin American neighbors and unusually transparent military contingency planning.

The Clinton Administration has defined the U.S. mission in Haiti during the initial, U.S.-dominated phase of the operation to be the removal of the illegal government, protection of American citizens and maintenance of order during the initial days of the intervention, and then helping to establish a climate of security until a U.N. force is in place. The reconstruction of Haiti's failed institutions is the responsibility of the United Nations during a second phase, which begins about six months after the invasion. The foundations for the U.N.'s efforts, however, are to be laid during the first phase by U.S. civilian agencies: beginning to rebuild and retrain the military and police; providing adequate supplies of food, medicine, and gasoline to overcome shortages; and repaying the nation's debts to facilitate new investment. What ultimately is envisioned is the reconstruction, almost from scratch, of Haiti's shattered economy, agriculture, military and police forces, civil institutions, electrical system, and infrastructure to fit a fundamentally different vision of Haiti under a democratic government. To this end, the U.S. Agency for International Development (USAID) has worked for months with President Aristide's staff in exile on a first-year, \$550 million package.

The presence of the U.S. military to stabilize the country and restore law and order is creating an environment conducive to realizing the administration's goals. But beyond early 1996, when a reduced U.S. military's peacekeeping presence (3,000 troops) will end, the outlook is not as rosy, but the United States cannot simply disengage. Inherent in the administration's decision to intervene is an extended commitment to Haiti's future, a commitment that will continue even after

the U.N. assumes control. During 1995, several potential problems, foreshadowing the difficulties ahead, could adversely affect U.S.'s ability to help strengthen democracy in Haiti.

- Funding for Haitian reconstruction programs is uncertain. The Administration has start-up money for FY 1995 (over \$100 million appropriated in 1993 to support the Governors Island Accord), and has convinced other international contributors to provide funds. However, full implementation of U.S. and U.N. programs depends on the reliability of U.S. financial commitments beyond FY 1995. Congressional support is not assured, given broad bipartisan legislative opposition to the decision to intervene. U.S. casualties or the appearance of organized Haitian opposition to the U.S. presence could lead to strong political pressure, particularly from the new Republican majority, to cut short U.S. support for the Aristide Government.

- Haitian society may not be ready for reconciliation, and random violence does continue despite peacekeeping operations. For most Haitians, the face of the state has been the uniformed and paramilitary bullies who have used state-sanctioned power to terrorize, repress, and impoverish them. The fire of this memory will burn for a long time. With the return of President Aristide, the opportunity for retribution, behind the shield of foreigners who will not disarm the Haitians, may prolong domestic violence. President Aristide's public commitment to reconciliation may go unheeded, and efforts by U.N. peacekeeping forces may prove insufficient to assure the stability necessary to attract the overseas investment needed for Haiti's economic recovery.

- The objective of creating separate, non-partisan, professional military and police establishments under civilian control in a short span of time may be unrealistic. Rooted in Haitian culture is a strong tradition of partisan relations between civilian officials and security forces. The power of this relationship can be seen in the military's suspicion in 1991 that President Aristide was creating a countervailing security

force loyal to him, as President "Papa Doc" Duvalier had done with brutal effectiveness in the 1960s. This perceived threat to the military was one of the catalysts that precipitated the September 1991 coup. Even if the U.S. and U.N. successfully address the technical side of educating new military and police leaders, efficiency and professionalism will not necessarily mean an end to involvement in local and national politics. It will be difficult to quickly instill the importance of non-partisan behavior in the new security personnel, particularly if they are dedicated supporters of Aristide. Such a transformation is more likely to succeed, however, if the Haitian government does three things. The first is to develop an institutional framework empowered to control the security forces and to shield them from outside political manipulation. The second is to recruit personnel from the entire political spectrum. And the third is to abjure subverting military and police officials for its own political purposes.

Moving Cuba Closer to Democracy. Governments in both Washington and Havana are profoundly divided on the issue of U.S.-Cuba relations between officials who favor conciliation and those who reject compromise. The U.S. goal remains a peaceful transition to free-market democracy in Cuba, and current policy is based on the long-standing hope that isolating Cuba economically will bring about this change. However, Washington is feeling increasing pressure to modify this policy by easing its trade embargo, offering incentives for taking steps toward democracy, and generally increasing the flow of Western ideas to the island. The Cuban government, on the other hand, remains intent on defending its revolution but is in the midst of an internal debate concerning the country's severe economic crisis, which some analysts believe could lead to uncontrolled crises at almost any time. Internal pressure may cause some measure of reform and moderation of the regime's authoritarian behavior. The September 1994 New York accord on immigration reflects this mutual ambivalence, and suggests that the atmosphere surrounding Cuban-American relations in both countries is beginning to change.

The latest mass exodus from Cuba forced both sides to make trade-offs. For its part, the U.S. successfully negotiated an end to an immigration crisis without having to discuss lifting its economic embargo of thirty-two years. The Clinton Administration agreed to grant entry to at least 20,000 Cubans a year. In reaching this agreement, the U.S. abandoned its three-decade-old practice of admitting all Cubans and instead sent the latest boat people to the Guantanamo Naval Station and Panama (for six months), a decision that angered many Cuban-American groups. To placate them, Washington stepped up sanctions against Cuba, including tighter restrictions on travel and a ban on almost all remittances to Cuba.

The exodus has forced Castro to admit to errors in the structure of Cuban economic plans and mismanagement in their implementation. Scenes of scattered chaos have suggested a degree of political weakness. The Cuban leadership also has had to acquiesce to U.S. pressure to stop the boat people. However, Castro has made progress diplomatically. He has in essence compelled the U.S. to reverse its Cold War Cuban immigration policy, which in turn has given voice to considerable opposition to the policy of isolating Cuba. Castro also gained a guaranteed pressure-release valve for 20,000 dissatisfied Cubans a year, a better agreement than in 1984, when the 20,000 figure was considered an annual ceiling. Finally, the Cuban leadership may have gained some political advantage allowing it to continue to portray itself as the victim of unwarranted economic bullying.

The U.S. is becoming increasingly isolated from some of its staunchest allies and trading partners over its policies toward Cuba. For instance, when the U.N. General Assembly voted in 1993 in favor of ending the U.S. trade embargo, only Albania, Israel, and Paraguay joined the U.S. position. Both of Washington's NAFTA partners carry on extensive commerce with Cuba. (Cuban trade with Mexico totalled nearly \$200 million in 1993; with Canada, about \$250 million.).

Sustaining Democracy Elsewhere in the Caribbean Basin. As noted earlier, progress in both political and economic reform is in danger unless the hemisphere's

governments become more honest, effective, and responsive, thereby increasing trust in public institutions. Indeed, government reform is at the top of the political agenda throughout most of the region, and the U.S., working with the OAS, has been active in helping elected leaders to improve public administration. But political and economic conditions in several neighboring countries may seriously challenge the immediate future of their representative democracy. The Dominican Republic and Venezuela are the countries of greatest concern in late 1994.

● The Dominican Republic is the fourth-poorest country in the hemisphere, and is plagued by labor strikes, violent crime, government corruption, a flourishing drug trade, and a considerable migration of Haitians (estimated at 750,000), who primarily work in slave-like conditions in the sugar industry. Despite a recent surge in economic growth, thousands of poor Dominican refugees enter the U.S. annually through Puerto Rico. The country is ruled by 87-year-old Joaquin Balaguer, whose 1990 and 1994 electoral victories are believed to have been fraudulent. Neither the OAS nor the U.S. has drawn attention to the matter, presumably because of the country's key role in Washington's policy on Haiti.

● As in the Dominican Republic, Venezuelan citizens have little say in how the nation is run between elections. Rule is based more on power than law, and politicians are rarely held accountable for their behavior—although the 1993 ouster of President Carlos Andres Perez for corruption is a significant exception. Venezuela is the richest nation in Latin America and has one of the longest constitutional traditions, yet political leaders have failed to confront many long-standing problems, such as ineffective national institutions, government corruption, and extreme income disparities. There is no branch of public service—education, health, housing—that is not in crisis. President Perez faced two military uprisings in 1992 that had widespread popular sympathy. A near collapse of Venezuela's currency during the spring of 1994 was followed by a massive bank failure and a

financial emergency in the insurance industry. In response, the new Venezuelan President, Rafael Caldera, has reversed free-market policies implemented only a few years ago and established so many "temporary" controls that the government's discretionary power over the economy ranks behind only that of Cuba. However, Venezuela remains the third-ranking destination for U.S. exports in Latin America after Mexico and Brazil, and the second-largest foreign source of oil after Saudi Arabia.

Optimizing Near-Term Counter-Drug Operations in the Hemisphere

As set out in the 1994 National Drug Control Strategy and the November 1993 Presidential Decision Directive 14, U.S. policy on counternarcotics in the Western Hemisphere emphasizes efforts in four areas: destroying the narcotrafficking organizations; assisting institutions in nations that show the political will to combat narcotrafficking; increasing international cooperation; and interdicting the flow of drugs in both the source and transit countries.

The key issue at this juncture is how to apply increasingly scarce resources to where they will have the greatest impact. One issue is interagency coordination. The scope and quality of agency teamwork has steadily improved at the embassy and Washington levels. However, there remain cases of uncoordinated and scattershot efforts. It is difficult to integrate country- and agency-specific strategies, plans, and resources into a single campaign with achievable objectives. The pooling of limited assets in fields such as intelligence has not been easy to achieve, nor has the U.S. learned to think and organize regionally, as the narcotraffickers do, instead of country by country.

Second, elected Latin American governments are concerned about the effect of counter-drug programs on national sovereignty. In the past, differences have emerged between the U.S. and host governments about how to integrate their counter-drug plans and resources. Counternarcotics relations with the source countries, especially Colombia, badly deteriorated in 1994 over three episodes:

- The U.S. Justice Department took strong exception in public to plea-bargaining with drug traffickers worked out by Colombia's Prosecutor General Gustavo de Greiff. Many in Colombia, possibly including de Greiff, are more concerned with ending narcotrafficking violence than with putting a stop to the drug trade itself. The traffickers who surrender in return for reduced sentences are not being required to inform on their colleagues. It is not entirely clear if they will actually leave the drug business in the future.

- The Colombian and Peruvian governments were outraged at the April 1994 U.S. decision to cut off, on short notice, intelligence on drug flights, which U.S. government lawyers said was required by U.S. and international law against aiding those who may shoot down civilian flights. The Clinton Administration is pressing to rectify this situation by December 1994.

- The atmosphere for working with Ernest Samper, elected president of Colombia in June 1994, is not good. Taped conversations played on Colombian radio were seen by many in the U.S. as indicating he accepted money from the drug cartels. Allegations have surfaced in the past of a connection between Samper and drug lords, which he vehemently denies.

Some U.S. experts suggest that Colombia is tiring of the anti-drug battle and that the narcotraffickers have been successful at integrating themselves into the Colombian elite. Colombian elite and public opinion ferociously reject this interpretation. Colombians emphasize that they have suffered at the hand of the drug lords more than any other country, including the deaths of more than a thousand policemen, two presidential candidates, and numerous cabinet members and supreme court judges. Many Colombians suggest that it is the U.S. which is tiring of the anti-drug effort. This will be a difficult atmosphere for cooperation.

On a more optimistic note, the potential for combatting narcotrafficking in Peru has improved. The economy is growing again, after a 30 percent drop in per capita income from 1980 through 1993 that drove tens of thousands into the drug business. The hold of guerrilla movements, especially the Maoist Shining Path, over the

main coca-growing area in the Huallaga Valley has been broken, following the September 1992 capture of the Shining Path's leader. At the height of the revolt, it was challenging the government for control over much of the country, including neighborhoods of the capital. Many Peruvians, including many in the military, felt then that the government's first priority should be the elimination of the Shining Path. For some, that meant doing little to discourage coca-leaf growing in order to win the growers' hearts and minds away from the Shining Path, which promised to protect them from police raids. Now that the forces of order are able to control the coca growing regions, enforcement of drug laws has moved up on the priority list. However, the coca growers have responded by shifting to more remote areas, so the battle continues, despite the considerable reduction in U.S. assistance.

Defining the U.S. Security Agenda in the Americas

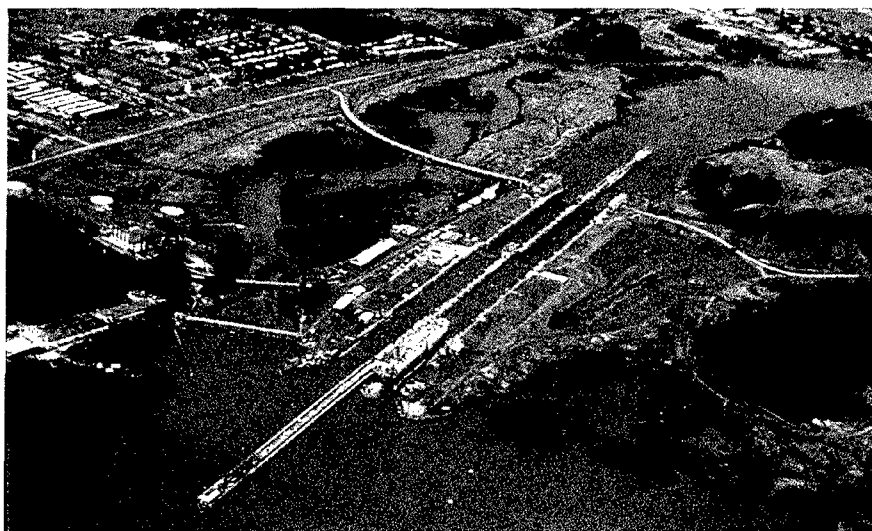
Will Forward Presence in Panama End? Unless there is a change in current policy, the U.S. will honor the 1977 Panama Canal treaties and completely withdraw all U.S. military forces from the country by noon on December 31, 1999, or perhaps even before this date. A protocol in the Permanent Neutrality Treaty of the Panama Canal, however, does allow negotiation of a forward U.S. presence after 2000 if both sides express an interest. To date, there has been no serious discussion about whether

the implementation of the treaties is a sound strategic step supporting Washington's Latin American policy as it is envisioned at the turn of the century. The Defense Department has begun to execute its plans to draw down forces over the next six years and return property to the Panamanian government, although Secretary of Defense Perry has suggested that the presence of a smaller military force beyond 2000 is possible if Panama initiates the dialogue. On the U.S. side, this is not an issue that can be deferred. Units are being deactivated as a part of the overall downsizing of the armed forces, and budgetary decision windows affecting construction and relocation are about to close. Washington must decide soon if U.S. foreign policy and security interests require a continued military presence in the hemisphere outside the United States. If forces are withdrawn completely, there is little likelihood that U.S. military units will again be stationed in Panama.

Adapting Defense and Military Relationships. The full significance of the shift in focus of U.S. interests in the hemisphere on the Defense Department's relations with Latin American and Caribbean military establishments is not yet clear. DOD is slowly recalibrating its thinking in this area. Charting an operational role for the armed forces in the promotion of democracy has proven particularly difficult, as has determining a U.S. position on arms and technology transfers in the region. Washington's support for a cooperative approach to hemispheric security relations also has only just begun.

Today's changing military relationships are complicated by drastic budget cuts affecting DOD's standard means of interacting with other military establishments, such as security assistance offices, grant aid, education and training programs, and combined training exercises. Service-to-service programs continue, but on a reduced scale. Only anti-drug programs currently have adequate resources. Nevertheless, DOD is moving forward in its search for new and better ways to work with Latin American and Caribbean counterparts at all levels.

Miraflores Lock of the Panama Canal



Sub-Saharan Africa

It has been noted that the traditional Third World is disappearing. Many former Third World countries are moving toward successful integration with the industrialized world. Others, particularly those in Africa, find themselves adrift and in need of economic restructuring as well as political realignment. Much of sub-Saharan Africa now lies shattered, and many basic trends are in the wrong direction.

Demands for U.S. involvement and assistance—including help in controversial peacekeeping and humanitarian intervention missions—are growing, even as the resources and political will necessary to undertake such involvement are shrinking. Further, the fact that U.S. national interests, especially security interests, are minimal in sub-Saharan Africa militates against such involvement. This dilemma seems likely to intensify in the years ahead.

The policy quandary for the U.S. is that it wants the international community to deal effectively with these crises, but does not wish to take the lead and carry the major share of the burden. One solution would be for Washington to promote measures to build the capabilities of African nations and organizations—and of the U.N.—to better deal with Africa's emergencies as well as

long-term needs. But it is not at all clear that either the public or the national political consensus presently exists to support such a policy of peacetime engagement—even if it could be pursued relatively inexpensively.

Defining Trends

On balance, the prognosis for Africa over the next few years is far from good. Many African states will fail to achieve democracy, stability, good governance, or development. With some possible exceptions—such as Ghana, Eritrea, Uganda, and especially Southern Africa—the climate for investment will become increasingly risky. Much of the continent is likely to be characterized by widespread turmoil, pestilence, and suffering—accompanied by poignant albeit spotty media coverage and emotional calls for *ad hoc* intervention and assistance.

In the absence of substantial external assistance resources, the combination of these negative trends is likely to lead, in some states, to the acceleration of economic and political collapse amidst turmoil and bloodshed. In acute cases, the surviving elements of organized society may not have the ability to reconstitute effective civil and

political life, thus leading to failed states. Unfortunately for Africa, and for its friends and donors, this nightmare scenario has already come to life in Somalia and Liberia, and potentially threatens Angola, Rwanda-Burundi, and Zaire. Whether Mozambique will in fact recover from its disastrous civil war, and whether Kenya and Nigeria can avoid one, also remain to be seen. For American policymakers, and for the international community at large, these problems are real, immediate, and serious.

Africa Is Experiencing Alarming Economic Decay

On the economic front, the general trends remain somewhere between bad and catastrophic. Africa continues to stagger under the burdens of economic stagnation, ruinous foreign debt, a severe shortage of domestic and international capital, depressed commodity prices, and endemic corruption and inefficiencies.

Making matters considerably worse is a rapidly increasing population (3 percent per annum, the highest growth rate in the world) that is causing severe environmental degradation, putting extreme pressure on land and water resources, and producing populations with an unusually young average age (in many countries, now less than seventeen) that are increasingly bereft of reasonable expectations for health, jobs,

and minimum standards of education. As these young, frustrated, and volatile populations swell in urban shantytowns, they also pose a threat to the stability and even the viability of affected regimes. Another serious effect of poor economic conditions is a continuing "brain drain," as thousands of Africa's most educated and talented people find better opportunities abroad.

As noted, Africa suffers under a massive debt overhang, and in fact Africa's repayments each year on its official debts (bilateral and multilateral) essentially balance all new foreign aid inputs. For many African countries, foreign financial aid is being recycled into repayments to Western creditors. Even this aid, however, is often accompanied by stringent demands from donors for economic reform and restructuring; most regimes are hesitant to implement these because of the political pressures that such reforms create, at least in the short term. At the moment, there is a lack of agreement on how best to revitalize developmental efforts, aside from a general consensus to move toward free market economics, with trade and investment taking the place of reliance on developmental assistance. In any case, no increase in such assistance is now forecast.

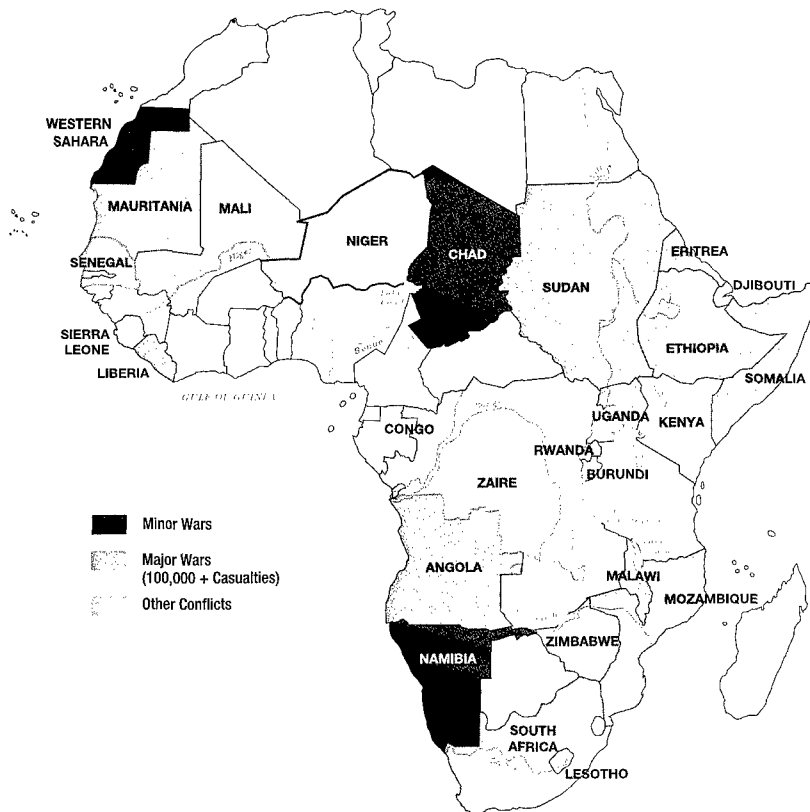
A relatively new but increasingly important factor is the spread of AIDS. From its presumed inception somewhere in Africa around 1960, the disease has doubled inexorably around every eighteen months. By 1994, over ten million Africans were believed to be infected, but because of the long time between infection and the appearance of symptoms, the full extent of the AIDS pandemic is only beginning to be sensed. With infection rates running as high as 30-40 percent among many national political, business, and military elites, a leap in mortality rates and the collapse of government health services in some countries is to be expected by the end of the century. This will have a ripple effect on national economies and institutions as many sectors, both public and private, find themselves short of technical and management personnel to accomplish essential work.

Young Tutsi soldiers of the Rwandan Patriotic Front.



Source: Gamma Liaison.

Africa's Wars and Conflicts 1980–94



Source: Adapted and updated from Raymond W. Copson, *Africa's Wars and Prospects for Peace*.

Disorder and Conflict Are Becoming More Intractable

The economic and social difficulties plaguing the continent contribute to, and in turn are aggravated by, accelerating civil strife and disorder, often of an ethnic or religious nature. Post-colonial Africa has been marked by a number of disastrous wars and violent upheavals, sometimes involving a substantial international intervention; early examples include the Biafran War in Nigeria (1967–70), the Sudanese civil war (1956–72), and several outbursts in the Congo (Zaire) (1960–64, 1977, 1978).

Africa's propensity to war has not abated with the passage of time—indeed, quite the contrary. A recent scholarly review of Africa's wars and their consequences identified six major wars, five lesser wars, and eighteen related conflict situations since 1980. For the affected nations, these violent conflicts have inflicted considerable damage upon physical infrastructure, generated millions of refugees

and displaced persons, disrupted agriculture, poisoned the atmosphere for foreign investment, and produced massive financial deficits that have stifled plans for serious domestic investment in long-term development. In many cases, large refugee populations have had negative effects on entire regions, creating an adverse economic ripple effect. The humanitarian dimensions of these conflicts have also demanded huge interventions by an increasingly reluctant and frustrated international community, with the cumulative bill running into billions of dollars.

Perhaps the most serious consequence of all, however, has been the progressive erosion of a climate of accommodation within the affected populations, and the growth of skepticism that peaceful progress is even possible. The inability of African states to control violence among competing internal parties and communities is abetting a widespread perception of failure of governance at its most basic level, and in some cases is contributing to the threatened or actual collapse of the authority of the organs of the state. This phenomenon is neither universal nor inevitable, but it substantially increases the complexity and raises the stakes for all involved in attempting to devise effective policies and approaches to build a stable and developing Africa.

The Islamic Revival Is Spreading to Sub-Saharan Africa

Islam has been a major force in sub-Saharan Africa for a full millennium, spreading century by century, especially down the coast of East Africa. Substantial Islamic minorities can be found as far south as Mozambique, and smaller populations exist even in South Africa. Recent years have witnessed the spread of Islamic revivalism into sub-Saharan Africa, both from the North and the East. The Islamic revival may spread into the Sahel, West Africa to some extent (especially Nigeria), and East Africa in particular (Kenya, Somalia, Tanzania, Ethiopia, and Eritrea). The challenge for the U.S. and its allies is to develop policy guidelines that seek peaceful

U.S. Military Assistance Programs¹ to Africa, FY 1984-95

(\$ millions)

84	\$153.3
85	168.2
86	103.2
87	59.0
88	33.5
89	33.9
90	36.9
91	37.7 ²
92	16.9
93	23.4 ²
94	3.9
95 (Request)	5.1

¹ Includes FMS credits, MAP/FMF grants, IMET.

² \$15 million earmarked for biodiversity projects.

SOURCE: Data collected from various DOD sources.

accommodation with Islam, but also consider how to respond to Islamic regimes that reject peaceful accommodation with their opponents and with the West.

The spread of radical anti-Western Islamic regimes may become a major problem for Africa—and for the U.S. and European nations involved in Africa—within the decade of the 1990s. If the U.S. is drawn into this issue (which appears possible—consider the allegations of Sudanese links to the bombing of the World Trade Center), there is also a prospect for serious terrorist incidents, perhaps extending into the United States itself. Of all the issues related to Africa, this is perhaps the most politically delicate and threatening to the U.S.

The West's Commitment to Africa Is in Doubt

Another important trend affecting Africa is extrinsic, namely the growing pressures in the West, and especially in the U.S., towards disengagement and limitation of commitments. There is a significant lack of congruence between Washington's stated policy interests (for extensive involvement in Africa) and actual security interests (virtually nil), and a growing gap between supportive official statements and the actual commitment of resources to address Africa's basic needs and emergencies. Africa's most important sources of grants and loans have been France, the World Bank, and the U.S. But all of these donors are growing weary of committing funds to Africa, and their commitments are presently stagnant.

Publicly stated U.S. goals for Africa include promoting democracy, good governance, free enterprise, a climate conducive to private investment, respect for human rights and political liberties, and other noble ends. But to date, there has not been any consensus in the U.S. government or among the public to commit the substantial additional resources which would be required to back up efforts to implement these publicly expressed policy interests. In part, this reflects the general and continuing shrinkage of foreign aid resources.

With regard to the U.S. military's role in Africa, which was never large, budgetary pressures for retrenchment are amplified by a desire to disengage from the

Third World military entanglements that characterized the Cold War. In Africa, the result is a tolerance for only the most minimal military assistance programs, and the most modest of military-to-military relations. Although this policy thrust may be appropriate as a "Cold War corrective," it sets sharp limits on Washington's ability to influence African militaries to demobilize or downsize, reform and professionalize themselves, and engage more effectively in legitimate security and peacekeeping missions. With few carrots and sticks to wield, Washington will have difficulty achieving its policy goals. However, with Soviet bloc military aid gone and European aid also in sharp decline, even modest U.S. aid could have considerable influence.

The evidence suggests that the private sector's interest in Africa is also wavering. Substantial new investment has thus far not materialized. A mixture of bad perceptions about the region and greater opportunities elsewhere threatens to starve Africa of the foreign capital and technical expertise essential to the continent's recovery.

The Best Prospects in the Region Are Mostly in Southern Africa

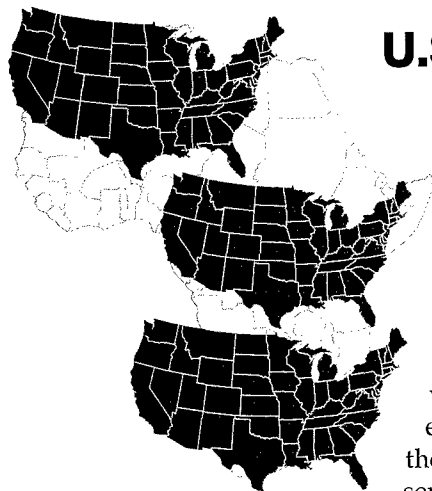
Despite Africa's formidable difficulties, there have been several modest success stories. Sound policy and good governance, hopefully rewarded and reinforced by substantial foreign assistance and investment, can help African states onto the path to stability and growth.

Botswana is a model of stable and enlightened government and prudent expenditure, and the result has been annual growth on the order of 10 percent since 1980. Ghana has apparently turned the economic corner, discarding earlier statist experiments to achieve recent annual growth rates of 4-5 percent. In the Indian Ocean, Mauritius is in the process of becoming a minor economic "tiger," and is now beginning to export its rapid private sector growth to neighboring Madagascar. Such examples certainly give reason for some hope.

On a much vaster scale, Southern Africa, with a reinvigorated and democratic South Africa leading the way, could be a dramatic and very important exception to the generally unfavorable forecast for the continent. If South Africa is able to consolidate its democratic transition and generate a regional economic revival in collaboration with its fellow members in the Southern African Development Community, the prospects for all of Southern Africa will brighten, and may spill over to favorably influence events in Central and East Africa.

Southern Africa should also be least affected by tensions between Islamic and non-Islamic communities. U.S. policy already acknowledges the critical role played by South Africa, and is focusing on a number of initiatives to increase the prospects for success. Also essential for regional progress will be the successful consolidation of the peace process in Mozambique and the achievement of peace and reconciliation in Angola. These too are significant U.S. policy objectives in the region.

Africa's area is 11.7 million square miles compared to 3.1 million for the contiguous U.S.



U.S. Interests

During the Cold War era, the U.S. military had a number of geostrategic interests in the African continent: protection of U.S. sea lines of communication, fending off a real or imagined Soviet plan to capture Africa's strategic minerals, prying Cuban surrogates off the continent, preventing the establishment of Soviet bases and listening posts, and others. None of these interests survived the end of the Cold War. The U.S. has essentially no serious military/geostrategic interests in Africa anymore, other than the inescapable fact that its vastness poses an obstacle to deployments to the Middle East and South Asia, whether by sea or air.

Enlarging the Community of Market Democracies

An important, if not critical, U.S. national interest in the African continent is the intangible but real value of adding additional friendly states to the Western sphere of stable, democratic, and free market nations. However, successful democratic transitions are not cheap, easy, or even

necessarily peaceful. At least in the short run, pressures are often unleashed that lead to increased violence and social unrest. The U.S. has a strong long-term interest in encouraging—through diplomatic support, advice, and perhaps even financial assistance—the transitions of states that have begun their journey down the path to democracy and free markets.

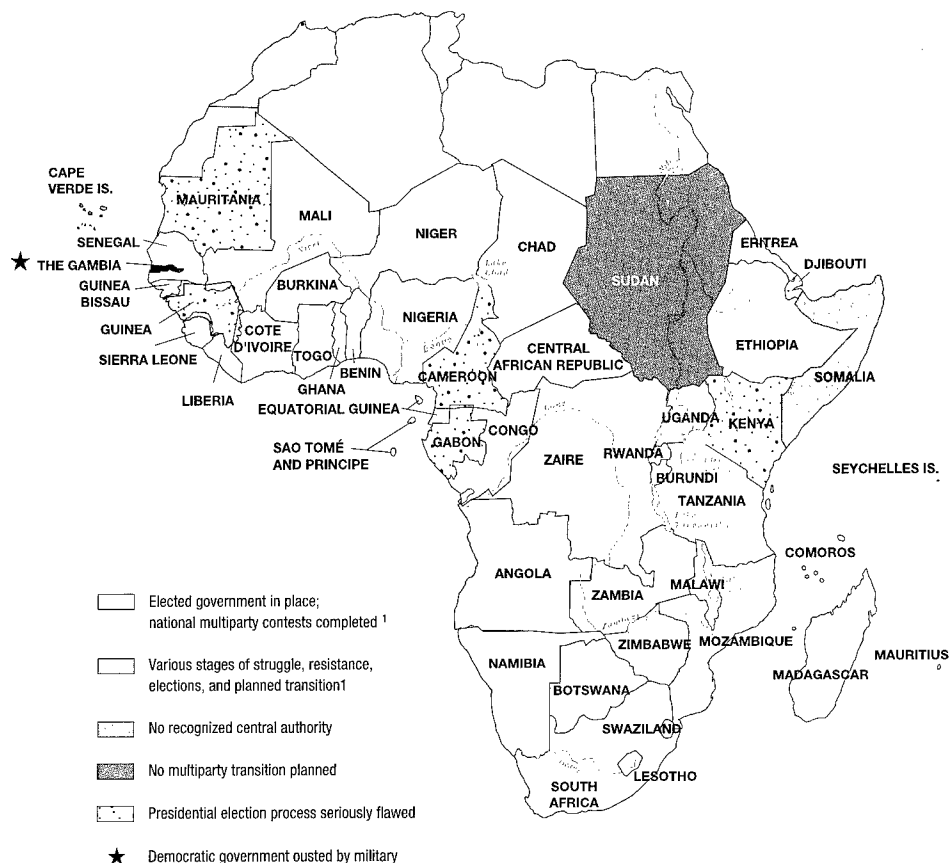
The present U.S. administration has supported—and on numerous occasions has proclaimed from the highest levels—a doctrine of enlargement and a commitment to assist struggling states in the process of democratic transition. Africa has received particular attention, including an unprecedented White House conference on Africa in June 1994. Indeed, the U.S. has been engaged for several years in seeking to apply these principles in Africa, with some success. Washington has encouraged and supported successful democratic transitions in South Africa, Namibia, Benin, Niger, Mali, Zambia, and Malawi, and is encouraging continuing political reform and progress towards fully democratic systems in Ethiopia, Eritrea, Uganda, and Mozambique. In perhaps one-third of Africa's states, democratic prospects are either already bright or improving, which is a major improvement over the situation a decade ago. Encouragement of this trend remains an important policy objective.

Addressing Pressing Humanitarian Concerns

Whether approached from a practical or an idealistic perspective, the U.S. has an important humanitarian interest in Africa: namely, reducing the violence and chaos that are currently engulfing a number of African nations.

From a practical perspective, humanitarian efforts are useful in order to curtail the growth of Africa's claims on the U.S., other affluent states, and international institutions for assistance and intervention. Arguably, intelligent interventionism in the short run can help create a set of conditions in Africa that make it less necessary to mount similar types of interventions in the future. At present, it may therefore be advisable to consider a policy of paying now

Sub-Saharan Africa: Status of Democratization, 1994



¹ Broad categories do not distinguish degrees of commitment to or extent of democratic reform.

SOURCE: Adapted from CIA.

Note: Multiple political parties permitted in all except: GAMBIA, SIERRA LEONE, SUDAN, SWAZILAND (monarchy), and UGANDA.

in order to reduce the chances of having to pay more, later.

From a more idealistic perspective (and in line with administration policy pronouncements), deeply-held U.S. principles concerning the need to assist the suffering and prevent genocide impel Washington to address Africa's humanitarian concerns to the extent that this is possible. Further, Washington faces a political imperative to show some seriousness of purpose in meeting at least the most urgent humanitarian needs of the ancestral homeland of some 12 percent of America's own population.

Seeking Economic Advantages

Other U.S. interests in Africa are economic in nature: the protection of existing

U.S. investment and the encouragement of a climate for further investment, developing mutually beneficial trading links, and safeguarding the stability of supplies of African oil and minerals. In the near term, substantial investment opportunities seem concentrated in South Africa, major projects of the SADC, and further development of oil production in West and Central Africa.

South Africa stands in a class by itself when viewed from a commercial perspective, with Nigeria a distant second but also in a class by itself. However, if sub-Saharan Africa could achieve even modest growth and stability, this region of 600 million could become an increasingly significant market and trading partner for U.S. firms.

Mustering Support in International Fora

Sub-Saharan Africa's forty-eight states comprise a powerful voting bloc in the U.N. and other international bodies, and the U.S. frequently turns to its African friends for support in these fora. African political support and cooperation will remain critical to the U.S.'s policy agenda on such issues as peacekeeping operations, environmental concerns, and international human rights.

Key Issues

Creating a Consensus about the Degree and Forms of U.S. Involvement in Africa

As noted earlier, traditionally-defined U.S. geostrategic interests in Africa have greatly diminished with the end of the Cold War. At the same time, the sensibilities of the U.S. public have been increasingly rattled by media reports and pictures of catastrophes in less developed—very often African—nations. The climate for the spread of U.S. economic and political values in this region is increasingly poisoned by continuing, mainly man-made, catastrophes. Yet despite Washington's announcement of an abiding interest in fostering democracy and development in Africa, the resources that would be required to have any substantial effect on this dire situation will be difficult to find in the current tight budget environment.

As an important example, there continues to be a vigorous debate in the U.S. about the appropriate extent and modalities of U.S. involvement in peacekeeping and peacemaking operations, even with respect to endorsing and supporting U.N. interventions. The experience of Somalia appears to have raised substantial psychological and political barriers to military involvement—even in a non-combatant capacity—on the ground. Nor is there any present policy consensus on the broader issue of the U.S. responsibility, if any, to make extraordinary efforts to deal with failed states. While media images of death and suffering can create public pressures that ultimately oblige Washington to

take drastic action in such places as Somalia or Rwanda, there is as yet no general agreement on the right or obligation to intervene in such situations, nor are there policy mechanisms for dealing with such interventions in a systematic way. The effort to build workable approaches to Africa's problems is more likely to be successful if it rests firmly on a national—and ultimately, international—policy consensus that has yet to emerge.

The resources available for military peacetime engagement activities in Africa have declined in recent years. The traditional programs of military assistance—FMS credits and FMF grants—have been terminated, and in FY 1994 even IMET was cut by more than 50 percent. While funds for some new initiatives have developed, primarily in the realms of democratization and peacekeeping, it is not clear that these programs address the need for African states to build appropriate military capabilities, and to successfully implement projects and interventions that require the skillful use of those capabilities. Another important resource constraint has recently emerged as a result of sharp across-the-board cutbacks in personnel assigned to Africa. Levels of Defense Attache and Security Assistance staffing in Africa are dropping rapidly, as are the levels of analytical staffs devoted to Africa in regional and Washington headquarters. This threatens to create serious gaps in knowledge and expertise on Africa.

Avoiding an Event-Driven Approach to Intervention

Experience to date suggests a pattern of action that is far from effective: A crisis emerges in Africa that provokes public concern and stimulates debate over the appropriate extent of U.S. involvement. Soon, important reservations against intervention are advanced. It is argued that there are few if any vital national interests at stake. Recent experiences in Liberia, Angola, and Somalia are cited to suggest that U.S. involvement seldom yields positive and lasting results, and therefore similar involvements are to be shunned. The argument is made, based on past experience, that involving

**U.S. Marines searching
Mogadishu's Bakara Market for
weapons during the 1993
intervention in Somalia.**



forces in preventive actions might begin the journey down the proverbial slippery slope to unwanted entanglements.

The force of these arguments persuades many in the policy community in Washington that the U.S. should not become involved in the crisis—indeed, that it does not need to engage in detailed planning, make preparations, or take major preventive action. Eventually, however, the crisis deepens, public and international pressure to take action mounts, and the order to intervene is finally issued anyway—only now, the forces involved have less time for planning and preparation and are faced with a worse situation than would have been the case had Washington acted sooner.

Recent experience strongly suggests that the actual probability for further involvement is much greater than strategic or national-interests logic would suggest. Instead, we can anticipate continued involvement in largely unanticipated tasks for which the military has not been prepared—sometimes unilaterally, often in coalition with other interested states, or through the U.N. or other international bodies.

However, from the experiences in Somalia, Rwanda, Liberia, and Angola, the U.S. and the international community learned several valuable lessons. One is the

usefulness of early and vigorous preventive diplomacy to forestall crises. Another is that internal conflicts cannot be stopped without either the consent of the parties involved, or a commitment on the part of the international community to use sufficient force to separate or disarm the parties. Further, in stopping or preventing a conflict, intervening nations must be prepared to commit resources over the long term to assist the affected nation in rebuilding its governing institutions and economic infrastructure. Thus, an emotional belief that “something must be done” is no substitute for a clear mission statement that defines U.S. interests and objectives, and allows prudent and effective military planning and execution.

Supporting Conflict Resolution and Peacekeeping Activities

The array of conflict resolution and peacekeeping operation (PKO) support activities is wide, and includes U.S. financial and logistical contributions to U.N. peacekeeping operations in Africa, which have multiplied in recent years. In the case of Somalia, the U.S. chose to lead the UNITAF humanitarian intervention, and provided a

substantial troop component to the follow-on nation-building efforts of the U.N. (UNOSOM II). The U.S. military spent about \$1.5 billion in Somalia FY 1993-94. In Liberia, a lower cost military approach was adopted. The U.S. has extended financial and logistical assistance to the West African force deployed by the Economic Community of West African States (ECOWAS), and especially to the Senegalese contingent, which received \$15 million in FMF and 506(a) "drawdown" support. U.S. military personnel were not, however, deployed on the ground in Liberia (except to provide local security to the U.S. Embassy and to evacuate U.S. and foreign nationals). In the case of Rwanda, the U.S. provided modest support to the Organization of African Unity (OAU) observer mission early on, was extensively engaged in the peace negotiations (which ultimately failed), and then intervened substantially in mid-1994, after some delay, with military support units to help deal with the hundreds of thousands of refugees and displaced persons fleeing the ensuing atrocities and disorder, or being used as pawns in political machinations.

Institutionally, the U.S. has tentatively embraced the concept of helping build Africa's own conflict resolution and peacekeeping activities, in part to avoid the necessity of getting involved so often and so deeply in these dangerous and controversial operations. In the final quarter of FY92, President Bush signed a Presidential Determination making the OAU eligible to receive U.S. military goods and services, with the intent of focusing such contributions on peacekeeping support. One million dollars in foreign aid funds were immediately transferred to this project, half reserved for support of the U.N. observation mission to Rwanda and half for helping the OAU build its institutional conflict resolution capabilities.

In a related action, the U.S. allocated, from available FMF resources, modest programs of support to several of the nations that were at that time contributing troops to the ECOMOG peacekeeping force in Liberia. In the following fiscal year, FY 1993, the U.S. expanded its direct support of ECOMOG, allocating \$19.83 million in current and prior year Economic Support Facility (ESF) money, mainly to support new "expanded" ECOMOG battalions

from Uganda and Tanzania. The next year, FY 1994, this support continued at a level of \$11 million (from non-assessed PKO funds); another \$2 million in such funds plus \$1.5 million in ESF were allocated to the OAU to continue to build its conflict resolution and PKO capabilities. For FY 1995, the Clinton administration has requested \$5 million in PKO funds for the OAU, and another \$10 million for African regional peacekeeping activities. Additionally, use of drawdown authority was approved to support relief operations associated with the Rwanda crisis.

This pattern of expanding PKO-related activity has been endorsed by the concerned Africa subcommittees in the Congress, and a recently passed Congressional initiative would confirm a five-year program of focused support to build conflict resolution capabilities at both the OAU and sub-regional levels, as well as channel substantial funds into demobilization of selected African armies. Coupled with U.S. support to the U.N., these initiatives portend a deeper, continuing U.S. involvement in this type of activity in Africa well into the future.

To date, African states have generally welcomed this new and expanding U.S. role, which supports an OAU initiative. At the same time, several countries have expressed reservations about the willingness of the U.S. to work with and listen to its African friends—many of whom have had extensive experience in U.N. PKO operations—in the planning and conduct of these operations and programs of assistance.

Using Military Assistance to Foster Progress in Africa

Considerable interest and talent at the operational level, ready and in some cases eager to deepen involvement in Africa, exists in the four geographic unified commands with responsibilities for Africa—EUCOM, CENTCOM, LANTCOM, and PACOM—as well as at SOCOM and elsewhere in DOD.

By the early 1990s, smaller, usually non-lethal projects designed to foster nation-building and improved relations between Africa's armed forces and citizens

had essentially displaced the earlier approach of larger-scale, often lethal projects. These programs include:

- A number of smaller programs that have since FY 1993 dried up from lack of funding, such as African Coastal Security (ACS), which helps security forces protect their marine resources; Military Civic Action (MCA), which assists Africa's armed forces undertake small local development projects; and Military Health Affairs (MHA), which aims to improve medical conditions within Africa's militaries themselves.

- Biodiversity projects, funded with \$15 million provided at Congressional initiative in FY 1991 and a similar sum in FY 1993, aim to protect marine resources and wildlife in government game preserves—for example, through controlling smuggling and poaching.

- International Military Education and Training (IMET). In the 1980s, with annual funding generally in the range of \$8 to \$10 million per year, several dozen English language labs were established, several "mobile training teams" to conduct instruction on the ground were deployed each year, and up to six hundred African military personnel per year were trained in the U.S. From 1991 on, the IMET program was expanded to include civilian officials: the U.S. Navy Justice School provided instruction in military justice and the obligation to respect human rights, U.S. Coast Guard personnel educated African forces in proper maritime law enforcement, and U.S. Defense Resources Management Institute professors conducted seminars in resources management and the role of the military in a democracy. Competition to participate in the IMET program is keen. By late 1994, forty-seven of sub-Saharan Africa's forty-eight countries had agreed to participate, with only Angola on hold, pending resolution of its civil war.

- DOD humanitarian assistance deliveries, with substantial shipments of surplus food, clothing, medical and health

items, trucks, engineering equipment, and other items. In some cases, these have been sent in response to emergency situations, such as natural disasters or caring for defeated or demobilizing troops (as in Ethiopia and Angola). In other cases, the deliveries were intended to deal with long-standing needs and requirements, as in the case of the delivery of excess DOD field hospitals. The recipients are private agencies or civil government agencies; Africa's militaries cannot themselves receive items under this program.

- Exercise programs. Of the many such programs, perhaps the most popular are the Joint Combined Exercises for Training (JCETs) conducted by special forces personnel. These are generally small in scale, with the U.S. contingent ranging from a few dozen to at most two hundred personnel, and usually focus on light infantry, Ranger, or special-operations type training. Other exercises involve small engineering or medical projects, such as simulated disaster relief or mass casualty operations.

- Military Academies Program. Since the mid-1980s, a number of sub-Saharan African countries have been invited to propose candidates for admission to the U.S. Military Academies. Candidates must compete with applicants from other foreign countries for only ten openings per year at each academy. Fourteen African students are enrolled in 1994.

- West African Training Cruise. Each year, one or more ships, plus a P-3 aircraft with a flag officer and "show band," are dispatched to the west coast of Africa to conduct port visits in a number of countries, engage in activities to build goodwill, and in a few cases to conduct small naval exercises or activities with host nation naval units.

Oceans and the Law

In fall 1994, the Clinton administration submitted to the Senate for approval the 1982 U.N. Convention on the Law of the Sea, as well as a 1994 agreement reforming chapter XI of the treaty, dealing with seabed mining, which for over a decade had been the primary impediment to U.S. adoption of the Convention. The Defense Department has been a longstanding supporter of the law of the sea treaty. Secretary of Defense William Perry described U.S. interests in the treaty as follows:

We support the Convention because it confirms traditional high seas freedoms of navigation and overflight; it details passage rights through international straits; and it reduces prospects for disagreements with coastal states during operations.

In addition to strongly supporting U.S. interests in freedom of navigation, the Convention provides an effective framework for serious efforts to address land and sea-based sources of pollution and overfishing. Moreover, the agreement provides the U.S. with an opportunity to participate with other industrialized nations in a widely accepted international order to regulate and safeguard the many diverse activities, interests, and resources in the world's oceans.

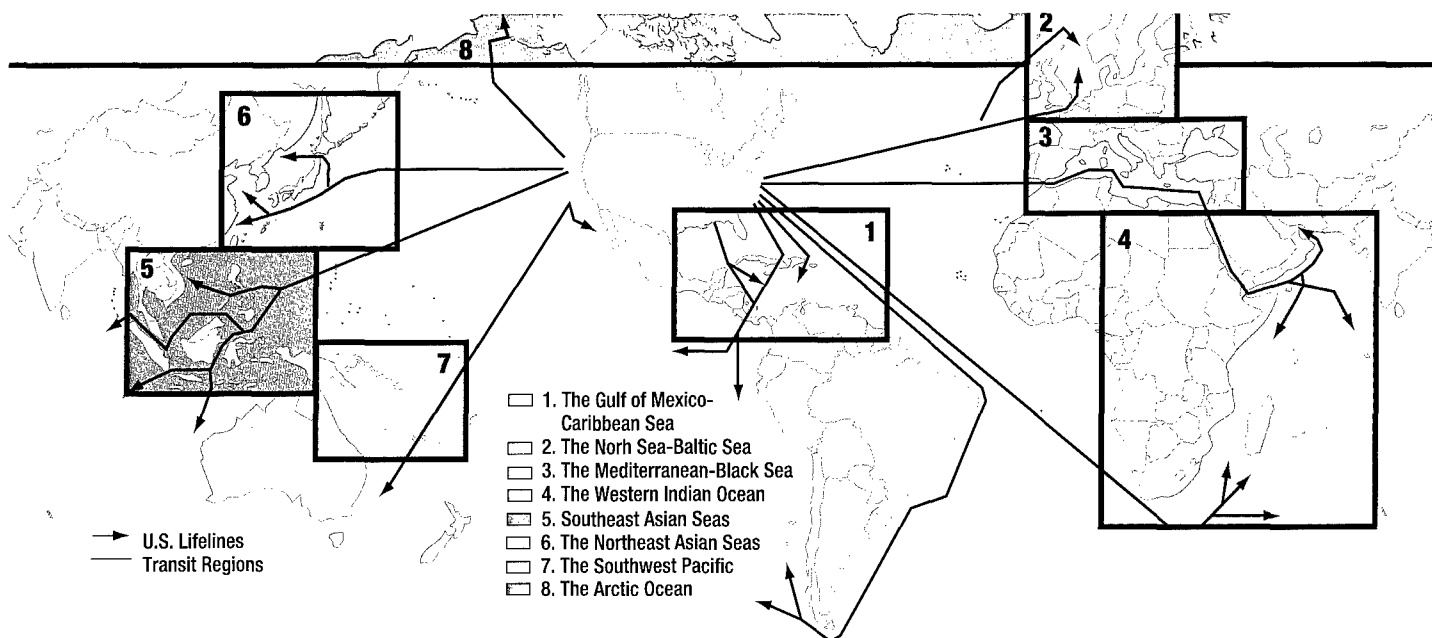
Defining Trends

Oceans, Especially Coastal Waters, Are Being Used With Increasing Intensity

With the growth of human populations and the advance of technology, the oceans are used ever more intensively, and in new ways. In the twentieth century, problems of overuse and unsustainable exploitation have become more common, particularly in near-shore areas. Although ocean activities are gradually moving further out to sea with the advance of technology, they nonetheless remain concentrated in the littoral regions. Navigation routes lie primarily in coastal waters, and often pass through strategic waterways, including international straits that link one ocean area to another. Seaborne commerce accounts for over 80 percent of trade among nations, and today exceeds 3.5 billion tons per year. Whether for recreation, commercial transport, or military navigation, near-shore areas are heavily used. Newsworthy events such as collisions, tanker spills, or groundings are vivid reminders of the problems faced in coastal zones.

Another time-honored use of the oceans—fishing—is likewise concentrated

Straits, Transit Regions, and U.S. Lifelines



SOURCE: Joint Staff graphics

in coastal waters. While tuna and salmon can be fished in the open ocean, most fisheries are found within 200 miles of the coast. World fish catches have grown as fishing gear has become more sophisticated and expanding populations search for new sources of protein. From 1950 to 1970, the total world catch tripled to roughly 70 million metric tons a year. It reached as high as 100 million metric tons in the early 1990s, but has since begun to drop. With careful management, the take from this renewable resource could be sustained. However, the creation of 200-mile exclusive economic zones has not been generally accompanied by restraint or attention to the long-term growth of stocks, and depletion of important fish stocks has increasingly occurred.

Another coastal activity that must be reconciled with other resource uses is reliance on the oceans for waste disposal. Of a world population of 5.6 billion, 3.5 billion live in coastal regions. These populations use adjacent waters to accommodate the disposal of waste from industry, river runoff, or direct disposal. Over 80 percent of ocean pollution today comes from land-based sources. The impact of intensive use of ocean

resources and excessive dumping were first visible in enclosed seas such as the Mediterranean and the Baltic. Increasingly, there is concern with the overall health of the oceans as scientists better understand the oceans' critical role in moderating the world climate and weather systems.

Newer uses of the oceans have added to the prospects for crowding in the coastal waters. Recovery of offshore oil and gas from the continental margin (that part of the continent that extends underwater to the deep seabed) has proceeded with the march of technology. By the 1980s, as much as 30 percent of commercial oil and gas production came from offshore areas. As technology advances, more offshore areas will be susceptible to commercial recovery.

New U.S. Maritime Strategy Calls For Increased Near-Shore Operations

Three important events or developments have driven today's naval strategy. First, the end of the Cold War marked a turning point for overall U.S. defense strategy. The absence of a single dominant threat called for a total rethinking of missions and objectives. Second, Operation Desert Storm provided a powerful exam-

ple of the kind of regional warfare that the military should be prepared to handle in a post-Cold War world. It precipitated a full-scale review of naval strategy, tactics, and weapons systems. Third, the President's approval in 1990 of the Base Force concept indicated that the Navy would share in the budget reductions with the other services. Shrinking resources had to be factored in to updated naval doctrine.

The Maritime Strategy which had prevailed until 1990 focussed on a global war with the Soviet Union. It was a sea-control or blue-water strategy that envisioned naval engagement of Soviet forces at sea. It assumed that the central battle front in Europe would rely on rapid reinforcement from the United States, which would require securing sea lines of communication. Long-range air defense from anti-ship missiles was needed. Fleet defense was a fundamental aspect of this doctrine, as was a certain independence of naval action.

The new concept, detailed in the 1992 Navy and Marine Corps white paper, *...From the Sea*, is based on power projection and crisis response in littoral regions. It recognizes that, for the foreseeable future, Navy control of the sea is not likely to be challenged. Rather, the threats that the Navy will be called upon to counter are expected to be regional, not global, and the potential opponents are diverse, potentially dispersed, and individually less powerful than the former Soviet Union. Rather than sea control, the new concept calls for control over littoral areas and support of land activities through integrated operations with the Marine Corps, Army, and Air Force. The strategy in *...From the Sea* calls for the U.S. Navy to operate more actively in coastal zones, precisely the area that is being used most intensively and the area to which states are making increased claims.

Coastal States Have Been Claiming More Control Over Near-Shore Areas

As ocean resources have become scarcer and crowding has occurred, governments have tried to regulate or lay claim to these resources. Where possible, "rules of the road" have been created to regulate the activities of multiple users.

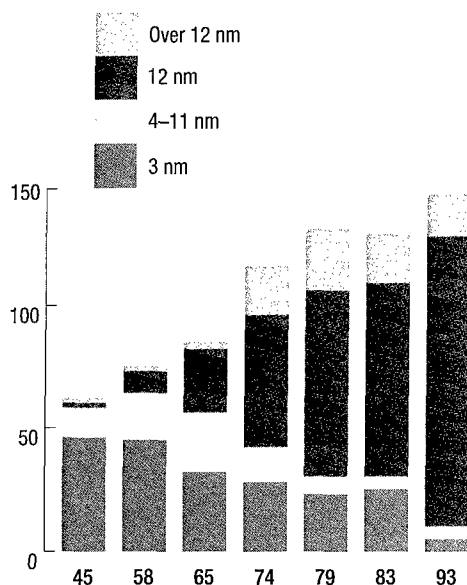
Navigation and safety codes and shipping lanes are examples of such coordination. In other cases, the value of ocean resources has prompted coastal states to seek to appropriate areas that were previously viewed as global commons, primarily through coastal states' extension of their national jurisdiction to ever-larger offshore areas. Ongoing efforts to establish rules to govern ocean uses have resulted in an evolving legal regime, or "law of the sea."

In the twentieth century, a succession of international conferences has tackled the issue of which offshore areas could be claimed by coastal states. At these conference, coastal states have claimed rights over larger offshore areas. In 1930, the debate focused on whether the territorial sea should be three or four miles. (The territorial sea is a zone of full national sovereignty, with the important exception of the right of innocent passage by foreign vessels.) In 1958 and 1960, the debate was on a six-mile territorial sea and an additional six-mile contiguous zone. Furthermore, the 1958 Convention on the Continental Shelf, granted coastal states "sovereign rights" to the resources of the seabed out to the depth of 200 meters or to the depth at which exploitation is possible.

The Continental Shelf Convention made obvious what had been implicit until then—that technology-driven appropriation of coastal resources might continue indefinitely until the oceans were fully divided among littoral states. Concern with this prospect prompted the United States in the 1960s to initiate discussions seeking a firm legal regime delimiting offshore claims. As the preeminent maritime power, the U.S. interest in preserving navigational freedom was predictable. At the same time, the Soviet Union was developing an interest in a blue water navy, and began to have similar concerns.

Neither the U.S. nor the Soviet Union was comfortable with the concept of a twelve-mile territorial sea, considering that universal application of such a concept would overlap more than 135 international straits. The definition of "innocent passage" in a 1958 convention did not allow for overflight, and submarines were re-

Territorial Sea Claims, 1945-1993



SOURCE: J. Ashley Roach and Robert Smith, *Maintaining Freedom of the Seas*

quired to navigate on the surface. Thus, Washington and Moscow agreed that a worldwide twelve-mile territorial sea would be acceptable only if freedom of navigation through and over all international straits were guaranteed.

The Third UN Conference on the Law of the Sea, from 1973 through 1982, addressed both this issue and a wide variety of additional issues related to the oceans. It produced the December 10, 1982, U.N. Convention on the Law of the Sea (LOS Convention), which sought to provide a comprehensive legal framework covering virtually all uses of the oceans, and the attendant rights and obligations of states. It achieved consensus on the extent of jurisdiction

that states may exercise offshore: a territorial sea of 12 nautical miles (with a contiguous zone of an additional 12 miles for customs, fiscal, immigration and sanitary regulation); coastal state jurisdiction over resources in an Exclusive Economic Zone (EEZ) of 200 miles; and coastal state jurisdiction over the continental shelf in cases where it extends beyond the EEZ.

Within these offshore zones, the treaty sought to balance coastal state rights with provisions to preserve explicit rights of navigation and overflight. Passage through and over archipelagos and straits used for international navigation was guaranteed. Further, guidelines were provided for the conservation of fisheries, the protection of littoral waters from all sources of pollution (including ships, dumping, seabed mining, and land based sources), and the conduct of marine scientific research in coastal areas.

President Reagan announced in 1983 that the U.S. would act in accordance with the LOS Convention. The U.S. began to expand its offshore claims to those admitted by the treaty. President Reagan proclaimed an 200-mile EEZ in 1983 and a 12-mile territorial sea in 1988.

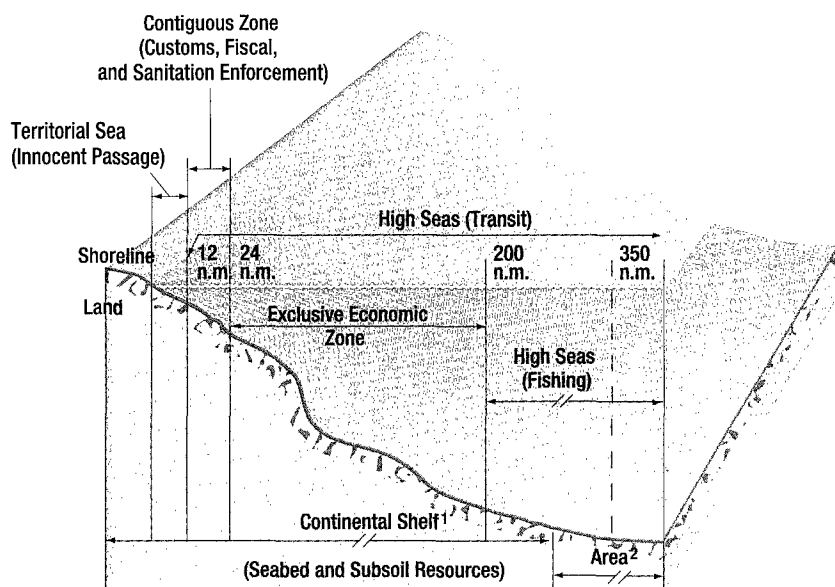
Additionally, the Reagan, Bush, and Clinton administrations all continued the Freedom of Navigation program underway since the Carter administration. The objective of the program has been to ensure that other states recognize the legal right to operate freely in international waters and respect the navigational provisions of the LOS Convention. Since 1979, U.S. military ships and aircraft have asserted navigational rights against excessive claims of more than thirty-five countries, at the rate of thirty to forty per year. The most well-known of these operations was the 1986 challenge to Libya's claims to the Gulf of Sidra. In 1989, the U.S. came to an understanding with the Soviets on a "Uniform Interpretation of Rules of International Law Governing Innocent Passage," consistent with the LOS Convention.

Changing International Attitudes Toward State Control of Economic Activity Have Made Possible An Agreement on Seabed Mining

The LOS Convention did not, however, manage to balance all different interests. Specifically, Chapter XI, dealing with mining of the deep seabed beyond national jurisdiction, was unacceptable to the United States and most other industrialized countries. This part of the Convention was the casualty of two forces: the then-prevailing New International Economic Order debate that pitted North against South, and the interest of certain developing coastal states in protecting extreme offshore claims by staving off a consensus treaty.

Chapter XI provided for resource transfers from the North to the South, and created a cumbersome international bureaucracy to control access to deep sea mining through a licensing procedure that would require large fees up front, mandate transfer of technology to an operating entity called "the Enterprise," and limit production in order to protect land-based producers. Written over the objections of mining interests, this part of the Convention promised to deter investment in seabed mining even if it were to become economically viable. Relying on their numbers and support from some developed

LOS Convention: Structure of Sea Claims



¹ Continental Shelf extends no less than 200 n.m. and no more than 350 n.m. from shoreline.

² Area comprises seabed and subsoil resources beyond the limits of national jurisdiction.

countries, the developing country text was imposed over the opposition of those countries most likely to have an interest in—and to be capable of—mining deep seabed nodules. Primarily because of deep objections to the provisions for seabed mining, the U.S. refused to sign the LOS Convention.

Throughout the 1980s, the U.S. continued to steadfastly oppose the seabed mining provisions of the LOS Convention, and urged its allies to do likewise. This consistent policy began to pay off in the wake of the large transformations that took place in the international political system in the late 1980s and early 1990s. The collapse of the Soviet system signalled the non-viability of the statist economic models that had inspired the seabed mining text. As Eastern Europe moved to adopt market economies, the provisions of the treaty on seabed mining were increasingly recognized as anachronistic and unworkable. It also became apparent to the developing countries that a law of the sea treaty without the major economic and maritime nations was of little value to them.

Consultations to review Part XI of the Convention were initiated in 1990. When

the sixtieth state agreed to be bound by the treaty, the pressure grew to resolve outstanding issues before the treaty came into force one year later—on November 16, 1994. Consultations in May and June of 1994 completed work on the Agreement Relating to the Implementation of Part XI of the U.N. Convention on the Law of the Sea, which responds fully to the concerns of the U.S. and other industrial countries. It will be applied together with the 1982 Convention, and where there is an inconsistency, the Agreement is to prevail.

U.S. Security Interests Maintaining Maritime Mobility

The oceans have been tied to U.S. national security and defense throughout the history of the country. Initially, the oceans were a buffer from the military power and the conflicts of European nations, allowing the U.S. to indulge in bouts of isolationism alternating with hemispheric expansionism. With the development of U.S. naval capabilities in the late nineteenth century, the United States took to the oceans to project power to the shores of countries as distant as Japan and the Philippines. Like earlier maritime powers, the U.S. has relied on the concept of the freedom of the seas to maintain access and mobility.

Even as the Cold War recedes, U.S. interests and reach will remain global for the foreseeable future. The definition of Navy missions set out in *From the Sea* reflects those interests, and includes a broad and challenging array of peacetime as well as conflict roles: presence, strategic deterrence, sea control, crisis response, power projection, sealift, embargoes, counternarcotics operations, and humanitarian operations. The capacity to perform these missions depends on maritime mobility—on free access to the world oceans, including strategic waterways and international straits. That access cannot be taken for granted.

Coastal state claims to broader areas and increased rights (such as the right to control the entry of warships into territorial waters) in offshore areas pose an ongoing dilemma. In light of these claims, the

United States has several options for pursuing its freedom of navigation goals: (1) unilateral demonstrations of resolve, including use of force, (2) bilateral or regional deals and arrangements, and (3) comprehensive agreements generating international treaty law. These are not mutually exclusive, nor are they equally effective.

Particularly in an era of shrinking budgets, the U.S. will be increasingly hard pressed to devote the military and diplomatic resources needed to pursue bilateral deals or unilateral demonstrations of force. It is therefore easier and cheaper to resolve conflicts in the context of a comprehensive international agreement. The Defense Department, in its 1994 DOD white paper, *National Security and the Convention on the Law of the Sea*, makes the case that international law is the most effective approach:

National security interests in having a stable oceans regime are, if anything, even more important today than in 1982, when the world had a roughly bipolar political dimension and the U.S. had more abundant forces to project power to wherever it was needed.

... Without international respect for the freedoms of navigation and overflight set forth in the [LOS] Convention, exercise of our forces' mobility rights would be jeopardized. Disputes with littoral states could delay action and be resolved only by protracted political discussions. The response time for U.S. and allied/coalition forces based away from potential areas of conflict could lengthen... Forces may arrive on the scene too late to make a difference, affecting our ability to influence the course of events consistent with our interests and treaty obligations.

Protecting Economic Interests

Commercial Navigation. The navigation provisions of the LOS Convention are important to the United States for economic as well as security reasons. As a major trading nation, the U.S. depends on access to shipping routes. The stability and predictability afforded by the Convention will serve to keep shipping costs low. Uncertainty regarding transit regimes costs time (longer routes) and money (insurance fees and fuel). For example, ships passing from Japan to the Middle East that were unable to pass through international straits controlled by Indonesia would be forced to re-route around Australia, adding 5,800 nautical miles and 15 days (assuming a speed of 15 knots) to their journey.

Management and Conservation of Offshore Resources. The provisions of the treaty dealing with living and non-living resources, particularly as they deal with delimitation questions and dispute settlement mechanisms, also serve U.S. economic interests. The provisions for delimiting the fishing EEZ and the outer edge of the continental shelf constrain further extensions of state control, but also allow coastal state exploitation of offshore resources with a degree of certainty, within set limits.

Equally important to the United States are the provisions calling for sound environmental and management practices. Coastal states are enjoined to manage their fishery resources according to the norm of maximum sustainable yield. Special provision is made for protection of marine mammals and endangered species and their habitats. Anticipating difficulties with the migratory nature of living resources, the convention relies on regional fishing organizations to address conservation and management details. Where difficulties over straddling stocks and high seas fisheries arise, dispute settlement provisions offer recourse.

The non-living resources of the continental shelf are to be managed by the coastal state with due regard to consequences for the environment. Provision is made to reflect the international interest in the resources of the continental margin that extend beyond 200 miles. As to the resources that may eventually be exploited in the deep seabed, the Convention will provide the security of tenure needed to attract investment.

Environmental Protection. The U.S. has an interest in a healthy ocean environment. The LOS Convention is perhaps the most comprehensive environmental treaty ever negotiated. It sets out basic obligations on all states to protect and preserve the marine environment from all sources of pollution. And it establishes a duty to enforce detailed international environmental protection regulations as they evolve in future negotiations in organizations such as the International Maritime Organization

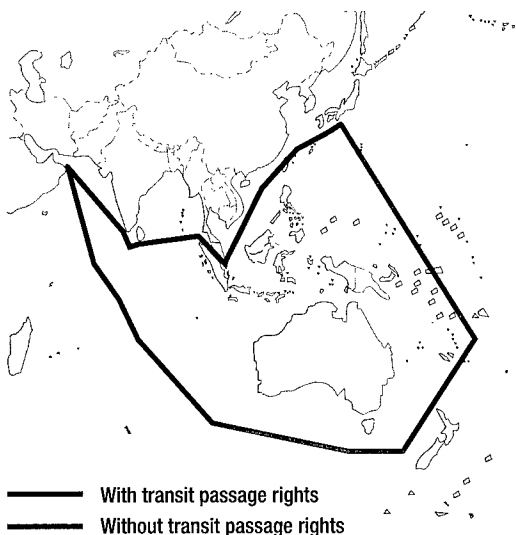
(IMO). That duty applies even if a state does not participate in the process of developing the new international standards.

Key U.S. Security Policy Issues

Continuing to Reorient Naval Strategy and Capabilities to Reflect New Missions

The Navy has adapted its planning to conform with the new doctrine of near-shore engagement. Fighting in the littoral poses different challenges than blue water warfare. There are special problems in coastal areas with acoustic and electromagnetic sensing. The shallowness of the sea bottom, the changing temperature and salinity, and the radar impact of nearby land complicate surveillance, as does the dense maritime traffic and activity in near shore areas. Target identification becomes more difficult where numerous civilian and third country vessels and platforms are present. Weapons systems tailored to this more complex environment must be more discriminating, and defensive systems must be adapted to the shorter warning times that characterize littoral warfare.

Alternate Transit Passages: Middle East to East Asia.



SOURCE: DOD white paper, *National Security and the Convention on the Law of the Seas*.

Capabilities must include defense against theater ballistic missiles, mine countermeasures, subsurface torpedo defenses, and anti-missile defenses.

Since the anticipated focus of naval operations is influencing the behavior of a regional actor on land, naval missions must be closely coordinated with the Marine Corps, Army, and the Air Force. While the Cold War maritime strategy relied on carrier battle groups as the basic operational unit to control the sea and project power ashore, the new strategy calls for smaller force packages. These Naval Expeditionary Forces will integrate amphibious forces, and are designed to work with other services and with other nations.

This major shift in Navy strategy has taken place at the same time as significant budget reductions. From the 600 ship Navy of 1988, the Navy has been challenged to reduce personnel and operating expenses by a third. By the end of the century, the Navy is planning for about 330 ships which would be a 40 percent reduction. While some savings may be achieved by better integration of forces with the other services, the bulk of savings are projected to come from the redesign of basic operations.

The international scene will remain unpredictable in the decade ahead. How broadly or narrowly U.S. interests are defined in the post-Cold War world will have major implications for the Navy. The challenge for the Navy is to stay flexible in preparing for current missions and adapting to new missions. Further, the Navy must retain the option to rebuild its forces quickly, as the political situation could change significantly on short notice. A dominant threat might reemerge. A regional power might acquire a deliverable nuclear weapon. Or the Navy might find its forces stretched thin if crises were to engage important U.S. interests in several regions of the world simultaneously.

The current U.S. advantage in sea control will not last indefinitely. But with or without this dominance, a stable law of the sea regime will be critical for U.S. naval strategy and operations.

Ratifying the LOS Convention

A near-term issue is accession to the U.N. Convention on the Law of the Sea.

The Departments of State, Defense, and Commerce are all solidly behind the treaty. Opposition by groups that continue to fear a seabed mining regime may decrease when the revised provisions of Part XI on seabed mining are more widely publicized.

A more difficult problem will be dealing with the concerns expressed in some quarters that the treaty represents a ceding of U.S. sovereignty to global organizations. In fact, it may well not be possible any longer for any nation, no matter how powerful, to independently secure its interests in the oceans. Furthermore, Washington is already enmeshed in a number of international agreements on oceans issues, to which the LOS Convention provides a framework. At the same time, the Convention can constrain others from taking actions inimical to U.S. interests.

Enhancing Inter-Agency Coordination on Oceans Policy Issues

With Law of the Sea and ocean issues commanding renewed attention, the inter-agency coordination and public outreach mechanisms for managing these issues have gained prominence. Decisions taken within one agency on maritime issues typically have impacts on other agencies. The coherence of U.S. policy on the oceans might therefore benefit from regular and systematic exchanges and interactions among a core group of interested agencies, such as the State Department, the Defense Department, the NSC, the National Oceanic and Atmospheric Administration, Department of Interior, and the Environmental Protection Agency. Beyond the core group, an expanded group of all agency actors with an interest in oceans issues—such as the U.S. Trade Representative, the National Science Foundation, the Departments of Energy and Transportation, and the Office of the Vice President—might be briefed intermittently.

Equally important, in an era of renewed attention to the oceans, is the issue of an advisory committee structure. Private sector advisors might be drawn from all sectors of ocean industry, as well as non-government organizations—for example,

representatives of the coastal and distant-water fishing and processing industries, offshore oil and gas interests, the shipping industry, the mining industry, the marine science community, and environmentalists.

Shaping Evolving International Regimes Governing the Oceans

A coherent and well articulated U.S. ocean policy with a broad base of domestic support will facilitate U.S. efforts to garner broad international support for its objectives for resource management, navigation, maritime safety, and pollution. While the LOS Convention provides a relatively detailed framework, regimes for ocean resources—including fisheries, environment, and safety—will continue to evolve in different international fora. For example, the IMO will be of central importance to all regimes dealing with navigation. While IMO standards apply to civilian navigation, they reflect concerns that apply to all vessels.

To ensure that evolving international standards for safety and environment do not undermine naval claims to sovereign immunity, the Navy will have to anticipate public concerns. For example, nuclear propulsion will remain an issue, as will safety and pollution control. The Navy must factor in such concerns as it addresses its own ship construction standards and operations.

The emergence of a widely accepted law of the sea regime will be the United States's best protection against excessive coastal state claims. There will, however, be states that remain outside the treaty, or that choose to ignore or reinterpret some of its provisions. Therefore, the need for maintaining the diplomatic representations and naval operations of the Freedom of Navigation Program remains. Resources to carry out this program must be factored into reduced Navy and State Department budgets. However, U.S. adherence to the LOS Convention should diminish the costs of the FON program.

Weapons of Mass Destruction

Throughout the Cold War, the primary concern with weapons of mass destruction focused on the large holdings of nuclear weapons of the Soviet Union and the United States. Considerable debate and deliberation went into the development of an appropriate strategy and force structure to deter a massive attack by the Soviet Union. From 1960 through 1990, close to 15 percent of total U.S. spending on national defense went toward building and maintaining a strategic nuclear posture. While several other nations openly developed nuclear weapons and long-range delivery systems, their holdings were a small percentage of those of the two superpowers. Efforts to limit deployed nuclear weapons were almost exclusively conducted in bilateral negotiations between the U.S. and the Soviet Union.

With the end of the Cold War, the situation has changed. British, French, and Chinese nuclear forces are being modernized and may grow in numbers over the next decade. The U.S. and Russia, on the other hand, are reducing their strategic nuclear arsenals to about one third of their holdings in 1990. Russia continues development of new strategic missiles, although its progress in modernizing strategic nuclear forces and maintaining the full complement of war-

heads allowed under START II will be subject to the military obtaining adequate resources. The U.S. is not developing any new nuclear weapons and the last U.S. strategic missile program was cancelled in the early 1990s.

The number of countries capable of obtaining weapons of mass destruction (WMD)—nuclear, biological, and chemical—is growing. Despite several notable successes in impeding and, in some cases, reversing WMD proliferation, the post-Cold War environment is characterized by an increasing number of states with the capability to acquire such weapons and their delivery systems. For this reason, nonproliferation is one of the United States' highest national priorities. Diplomatic reassurance and dissuasion and the strengthening of multilateral control regimes to prevent further proliferation are central components of the administration's security policy.

Given these changes, U.S. policy makers are faced with a new set of challenges. A strategy to deter a nuclear first strike against the U.S. is still critical, but no longer sufficient. As Moscow and Washington implement the Strategic Arms Reduction Treaty I (START I) and move toward START II levels of nuclear forces, it is necessary to consider the implications of no

longer having a force that dwarfs those of medium-sized powers. Moreover, possession of WMD by new regional powers will greatly complicate the United States's ability to deter such countries from aggressive actions, as well as its ability to deploy forces to those regions. The Persian Gulf and Korea are examples of places where weapons of mass destruction in the hands of hostile regimes put U.S. forces at risk in crises or conflicts. Likewise, possession of WMD and the prospects for covert delivery by rogue states or terrorist groups present new security threats to the U.S. homeland.

Defining Trends

Deep Reductions in U.S. and Russian Nuclear Weapons Are Underway

The implementation of the Intermediate Range Nuclear Forces (INF) Treaty and the two START agreements has resulted in the first real reductions in the nuclear forces of the U.S. and Russia.

President Reagan and General Secretary Gorbachev signed the INF Treaty in December 1987 at the Washington Summit. This agreement prohibited the United States and the Soviet Union from developing and deploying ground-launched missiles with ranges between 500 and 5500 km. As a result, the United States eliminated its Pershing and Ground Launched Cruise Missiles (GLCM) and the Soviet Union destroyed its SS-20, SS-12 and SS-23 missiles. While the total numbers of INF weapons were small compared to strategic forces, the treaty was important for two reasons. First, it represented the first time both sides had actually agreed to eliminate nuclear weapons, rather than just control their growth. Second, it created an intrusive verification regime that led to a high degree of confidence on both sides, thereby paving the way for the deep cuts in strategic forces contained in the START agreements.

At the July 1991 Moscow Summit, after years of posturing and negotiating, Presidents Bush and Gorbachev signed the START I agreement. In expectation that the treaty will be implemented fully by the parties, the U.S. and Russia have begun the

elimination of strategic nuclear weapons. All parties have signed and ratified START I.

On the other hand, neither the U.S. Senate nor the Russian Duma has begun consideration of the START II agreement. This treaty, signed by Presidents Bush and Yeltsin in January 1993, limits the two sides to between 3,000 and 3,500 strategic weapons and, most significantly, eliminates all MIRVed ICBMs, including the heavy SS-18. Although the future of this agreement is open to question, Presidents Clinton and Yeltsin agreed in September 1994 to pursue the prospect for accelerated implementation of the START II reductions. The U.S., for its part, is keeping its future strategic force posture consistent with START II limitations.

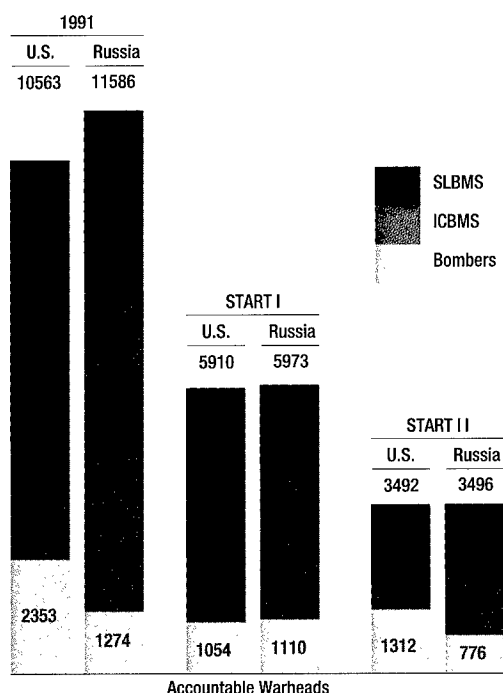
Demand For Nuclear Weapons Is Growing

On the demand side, the trend toward further proliferation is decidedly negative, with a few notable exceptions. The relative discipline and general predictability of the bipolar Cold War relationships have been replaced in several key regions of the world by the expansion of regional arms races, including the aggressive pursuit of WMD and missile delivery capabilities. In several regions, for example the Persian Gulf and Northeast Asia, there appear to be no limits on the ambitions of unstable actors to acquire the most advanced and deadly weapons available, either through internal or external sources. Increasingly, the currency of power for these countries is a WMD capability. These weapons are perceived as both a status symbol and an instrument of political and military power for the pursuit of hegemonistic objectives.

In some regions, however, the trend is positive. Argentina and Brazil have apparently resolved their security concerns and abandoned their nuclear programs. South Africa has agreed to dismantle its nuclear weapons program and the six nuclear weapons it already possesses, and to join the Nonproliferation Treaty as a non-nuclear weapons state.

Despite these successes, at least twenty countries have or are seeking the capability to produce and deliver nuclear

START Counting Rules Applied to Notional Force Structures



SOURCES: INSS from various sources.

Note: Russia has stated it may not deploy more than 3,000 warheads when START II is fully implemented.

weapons. These states can be divided into several distinct groupings, listed more or less in the order of how advanced their nuclear weapons programs are:

States With Undeclared Nuclear Capabilities. Several states are judged to possess either fully developed nuclear weapons or the capability to assemble and deliver such weapons in short order. Israel is in the first category, and is believed to possess a large and sophisticated stockpile of nuclear weapons. India and Pakistan are in the second category, with both believed to possess relatively crude weapons, but to be acquiring greater capabilities over time. All three countries have or are acquiring the ability to deliver WMD warheads with ballistic missiles; in the cases of Israel and India, these missiles are developed and produced domestically.

Instant proliferators. The dissolution of the Soviet Union resulted in the creation of three *de facto* nuclear weapons states in

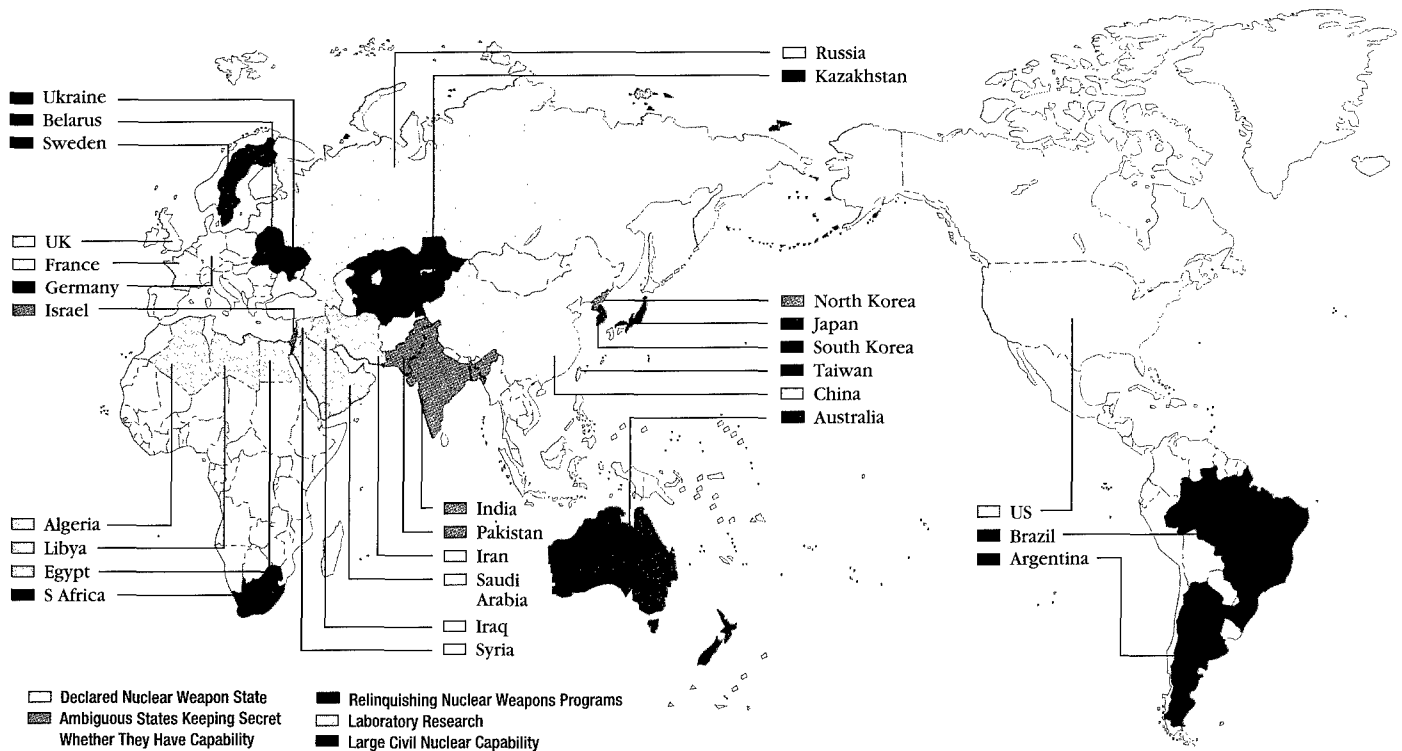
addition to Russia: Belarus, Kazakhstan, and Ukraine. In these three countries, proliferation was not the result of a determined effort to acquire weapons. Following independence, both Belarus and Kazakhstan expressed their intention to de-nuclearize and join the NPT as non-nuclear weapons states. Ukraine, on the other hand, pursued a more ambiguous course. While allowing the return of "non-strategic" nuclear weapons to Russia, Kiev resisted the transfer of strategic forces (SS-19s, SS-24s, and air-launched cruise missiles), pending some special security assurances. By the fall of 1994, Kiev had received the necessary assurance and all three countries had ratified the NPT.

States With Established Nuclear Weapons Programs. Several states, including Iraq and North Korea, have established nuclear weapons programs that can produce weapons-grade fissile material. Although the Iraqi program has clearly been dealt a major setback by Iraq's defeat in the Gulf War and the imposition of U.N. inspections, few believe the program has been permanently abolished. The leadership has not changed, and Iraqi nuclear expertise remains intact. The fact that the Iraqi nuclear weapons program was discovered to be much more advanced than had been believed prior to the Gulf War sounds a cautionary note for those seeking to evaluate the status of similar programs, such as North Korea's.

States With Basic Expertise and Infrastructure. Potential proliferators such as Algeria, Iran, and Syria appear to be acquiring the basic expertise and infrastructure needed to provide a nuclear weapons option, often through the acquisition of nuclear power reactors for ostensibly peaceful purposes. While some countries have explored the nuclear weapons option and backed off—for example Taiwan and South Korea—others have decided to move forward on a weapons program. Even those that have not gone forward could quickly restart a weapons program if they believed their security interests demanded it.

States With the Necessary Expertise and Infrastructure. A number of non-nuclear-weapons states possess the necessary scientific and industrial infrastructure to initiate a weapons program and rapidly

Status of Nuclear Weapons Capability



SOURCE: *The Financial Times*

field an effective weapons system. Countries such as Germany, Japan, and Sweden are in this group. The only factor which prevents such states from acquiring nuclear weapons is the political decision to eschew nuclear weapons. Many have felt more secure without national nuclear forces, relying for their security instead upon regional alliances and the U.S. strategic deterrent force. Others, especially the neutrals, have judged the financial and security costs of going nuclear to far outweigh the perceived advantages.

In addition, concerns about nuclear weapons coming into the possession of terrorist groups and organized crime have intensified in recent years. The end of the Cold War has heightened fears that terrorists could acquire such weapons, threaten their use, and perhaps even be prepared to use them under certain circumstances. Moreover, as discussed in the chapter on transnational threats, concerns about a loss of control over the former Soviet Union's stocks of

weapons-grade nuclear material have led to fears that organized crime elements could begin to traffic in nuclear materials as they have already done in other arms.

Chemical and Biological Weapons Offer Advantages to Potential Proliferators; Missiles Are The Delivery System of Choice

Some potential proliferators are pursuing chemical weapons (CW) and biological weapons (BW) programs, often at the same time they are pursuing nuclear weapons. CW and BW offer a number of advantages over nuclear weapons for such states:

First, while nuclear weapons are very expensive, CW and BW provide a much cheaper route to WMD capability. Although the expense of producing and weaponizing large quantities of chemical



A member of the 353rd Special Operations Group dons chem gear during a simulated chemical attack at Taegu Air Base in Korea.

weapons can be substantial, a small arsenal can be acquired relatively inexpensively. Biological weapons are also a relatively low-cost option, in part because their suitability for unconventional delivery can reduce the delivery cost. BW is much more lethal than an equal quantity of CW. A small stockpile of biological warheads can have a devastating effect across a broad area, provided the problem of fratricide can be resolved.

Second, almost all of the technologies and materials required to produce CW and BW are dual-use in nature, and are widely available for commercial purposes. For example, fertilizer production can be adjusted to produce chemical weapons, and pharmaceutical production techniques can be adopted to produce biological agents. Similarly, defensive CW and BW programs, which are allowed under the various conventions that seek to control such weapons, can be used as ready cover for offensive CW and BW programs.

Third, CW and BW programs are much easier to conceal from international inspectors, and are much more secure from airstrikes. Production facilities for CW and BW do not have the unique signatures of nuclear facilities, and can be concealed in relatively small spaces—perhaps within legitimate chemical or pharmaceutical industrial plants.

Finally, the majority of potential WMD proliferators see missiles, and especially ballistic missiles, as the delivery system of

choice. More than a dozen of these countries have operational ballistic missile programs. Although the missiles possessed by today's proliferators are generally limited in range to about 600 km, much longer range missiles are being pursued. Iraq, for example, was able on its own to significantly increase the range of its Soviet-supplied SCUDs. North Korea is actively exporting longer range SCUDs, has flight-tested the 1,000 km NODONG, and reportedly has under development missile with a range of 3,500 km or more, the TAE-PODONG II. Potential buyers for these Korean missiles are numerous. Similarly, as cruise missile technology becomes available with growing access to navigational aids such as the Global Positioning System (GPS), cruise missiles will become more attractive as a low-cost but highly effective WMD delivery system.

Multilateral Regimes Are Creating Norms Against WMD Proliferation

NPT and IAEA: The primary international mechanism for addressing nuclear proliferation is the Treaty on the Nonproliferation of Nuclear Weapons (NPT) and its associated monitoring arm, the International Atomic Energy Agency (IAEA). Since its entry into force in 1970, the NPT has been the basis of an agreement within the international community to prevent the further spread of nuclear weapons: non-nuclear states voluntarily abstain from acquiring nuclear weapons, in exchange for assistance in peaceful nuclear technology applications and a pledge by the nuclear-weapons states to work toward disarmament. The NPT obligates nuclear-weapons parties not to transfer weapons, control over weapons, or weapons technology, while non-nuclear-weapons parties agree not to receive any such transfers and to accept safeguards on peaceful nuclear programs to prevent any diversion. The IAEA is a U.N.-sponsored organization charged with insuring compliance with the NPT through a series of safeguards and inspections. It is also chartered to facilitate the transfer of nuclear technology for peaceful purposes to developing countries.

The NPT is widely regarded as the cornerstone of the international nonproliferation regime, and is the basis on which many arms control and anti-proliferation agreements are built. However, some key nations have not signed the NPT. For example, India rejects the NPT bargain struck between weapons and non-weapons states as discriminatory, and has therefore refused to join the NPT—as have Israel and Pakistan, two other states widely reported to possess nuclear weapons. Not only does the non-participation of such nations in itself undermine the treaty, but it adversely affects current NPT members. Israel's lack of participation causes Egypt's support for the indefinite extension of the NPT to waver. This in turn enhances the possibility among security planners elsewhere that the NPT will ultimately fail, and that they must conduct worst-case planning, always keeping the WMD option open. Also undermining the NPT are the actions of such countries as Iraq and North Korea, who are NPT signatories but nevertheless appear to be engaged in violations of their pledged commitments.

Moreover, a 1994 U.S. agreement with North Korea that essentially provides money and oil in return for stopping plutonium production (without requiring IAEA inspection access) has the unintended side effect of appearing to reward intransigence.

The CWC and BWC: The Chemical Weapons Convention (CWC) and Biological Weapons and Toxins Convention (BWC) are the codification of international efforts to stem the development of these two types of WMD.

The CWC, opened for signature in July 1993, is the latest international treaty addressing WMD. It has now been signed by over 155 nations. While several nations have ratified the treaty, the majority of the global community is waiting for the U.S. to ratify the CWC before they embrace the treaty. The U.S. Senate held ratification hearings on the treaty in 1994, but had not voted on it at this writing. By agreement, the treaty will enter into force after 65 countries ratify it, but no sooner than January 1995.

The CWC bans the production, use, possession, and transportation of chemical weapons, and requires states possessing CW to declare their stocks of chemical

weapons and precursor/dual-use chemicals, storage locations, and production facilities. Finally, the CWC obligates all participating parties to destroy their chemical weapons within ten years of the treaty entering into force. The CWC will be verified by neutral third-party inspection teams in a series of routine, intrusive inspections of declared CW facilities, both private and government. Additionally, short notice challenge inspections of sites suspected of illegal activities are allowed. The CWC is one of the most intrusive arms control agreements negotiated to date, reflecting an increasingly broad-based desire for greater transparency in arms control.

The 1972 Biological Weapons and Toxins Convention (BWC) comprehensively bans biological weapons and their associated technology and infrastructure. It has been signed by most of the countries of the world. However, Washington considers the treaty to be inadequate owing to a lack of effective verification procedures. As agreed by the BWC states at the third review conference in September, 1991, an *ad hoc* group of experts reported on possible measures to enhance verification at a special conference in September, 1994. The experts reported that additional verification measures could be useful in enhancing confidence, primarily through transparency. However, the protection of sensitive commercial and national security information is an ongoing concern. After considering twenty-one potential verification measures, the experts concluded that reliance cannot be placed on any one measure, but some combination of measures could improve the possibility of resolving ambiguities about compliance.

Regimes To Control Exports of WMD Technology Are Helpful, But Not Watertight

On the supply side, the diffusion of advanced technologies has become exceptionally difficult to control, despite the strengthening of export control regimes directed at preventing WMD and missile proliferation. The emergence of alternative suppliers, the development of greater indigenous capabilities, and the consequences of the collapse of

Agreed U.S. Government Definitions

Proliferation is the spread of nuclear, biological and chemical capabilities and the missiles to deliver them.

Nonproliferation is the use of the full range of political, economic and military tools to prevent proliferation, reverse it diplomatically or protect our interests against an opponent armed with weapons of mass destruction or missiles, should that prove necessary.

Nonproliferation tools include: intelligence, global nonproliferation norms and agreements, diplomacy, export controls, security assurances, defenses and the application of military force.

Counterproliferation refers to the activities of the Department of Defense across the full range of U.S. efforts to combat proliferation, including diplomacy, arms control, export controls, and intelligence collection and analysis, with particular responsibility for assuring that U.S. forces and interests can be protected should they confront an adversary armed with weapons of mass destruction or missiles.

SOURCE: NSC

the Soviet Union make it unlikely that those countries determined to acquire such weapons can be stopped.

Many of the technologies and materials used for WMD production are also used for legitimate non-weapons purposes. Such dual-use technologies are increasingly available on the open market and, where they cannot be openly bought or bartered, appear to be increasingly available through illicit channels. In this context, the exponential growth of organized crime in Russia and the possible leakage of formerly tightly controlled nuclear weapons materials are indicative of a larger problem. While a decade or more might be needed to acquire nuclear weapons, a determined leadership with sufficient resources is likely to succeed. For chemical and biological weapons, the time and costs are significantly less.

The majority of industrial nations have actively supported the establishment of multilateral export control regimes designed to deny potential proliferators access to sensitive technologies and materials needed for WMD and missiles. These include the Nuclear Suppliers Group, the Australia Group for chemical and biological weapons, and the Missile Technology Control Regime. Washington has also sought to re-orient the former COCOM, which was designed to prevent the transfer of strategic technologies to the Eastern bloc, to a nonproliferation mission. Domestically, the U.S. has enacted national legislation to control trade with, and provide sanctions against, proliferators and those who support their programs. Under such legislation, Washington has imposed sanctions against Russian and Indian firms, and more recently against China for its assistance to Pakistan's missile program.

The strengths and weaknesses of export controls were vividly illustrated in the case of the Iraqi nuclear weapons program. Clearly, export controls succeeded in delaying and increasing the cost of this program. Nevertheless, post-Gulf War discoveries about Iraq's nuclear program revealed it to be much more advanced than most analysts had suspected. Iraq acquired critical dual-use components both on the open market

and through illicit trade with companies from states that are members of export control regimes. As with arms control treaties, export controls are an important nonproliferation tool but, by themselves, will not stop determined proliferators.

In sum, while control regimes can be helpful in retarding and raising the costs of the development of WMD, states with strong motivation to proliferate and at least moderate resources will, in time, probably succeed.

U.S. Security Interests

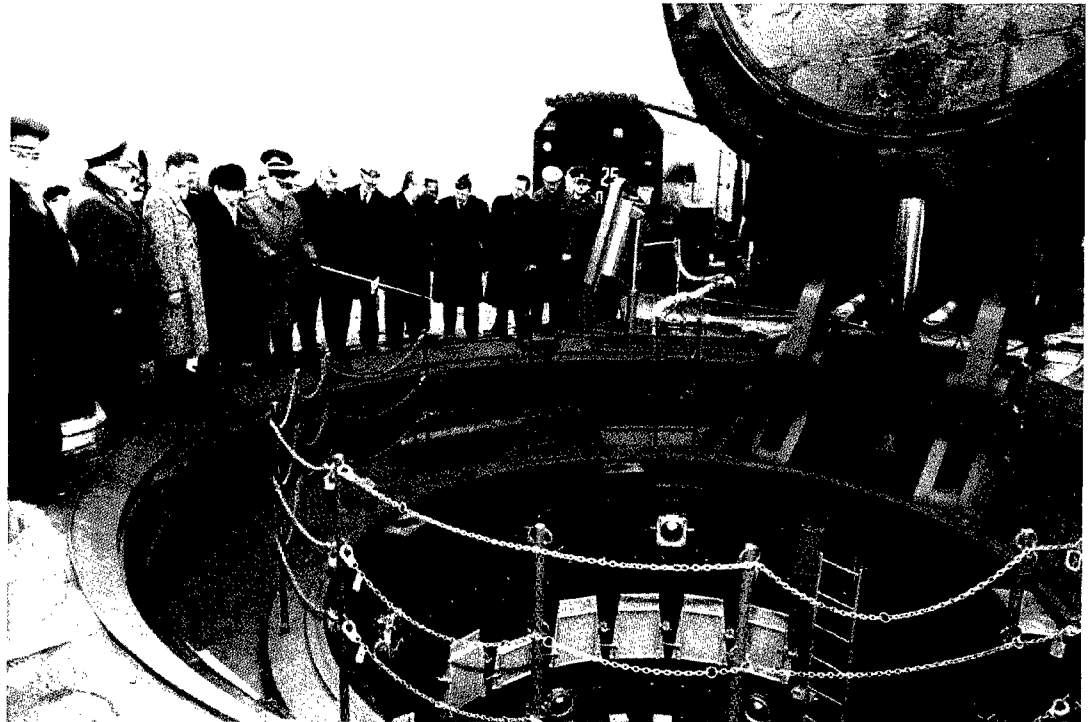
Maintaining Strategic Nuclear Deterrence

While U.S.-Russian relations have been fundamentally altered by the end of the Cold War and while common interests are growing and areas of rivalry are declining, Russia remains the only nation with the ability to destroy the United States. Thus, it is in the U.S. interest to monitor closely Russian implementation of the START agreements, and to promote greater transparency regarding the entire nuclear stockpile—including reciprocal exchange regarding numbers, locations, and other information, as well as greater security for nuclear material. Washington must be prepared to adjust force structure planning if relations sour, if Moscow decides that further reductions are not in Russia's interest, or if the U.S. is prevented from verifying Russian compliance. Further, Washington has an interest in monitoring the progress of China's currently modest forces.

Preventing Any WMD Attack on U.S. Citizens

The substantial reduction in the threat of strategic nuclear war with a peer nuclear power has not necessarily made the U.S. secure from WMD. The bombing of the World Trade Center may portend future terrorist attacks on soft unprotected targets such as cities. In time, U.S. cities will become directly vulnerable to attacks by long-range delivery systems of new nuclear powers. A more immediate concern is that U.S. forces deployed abroad are increasingly at risk from WMD and missile proliferation.

Secretary of Defense William J. Perry (dark fur hat) inspects an SS-24 silo in Ukraine.



Because it bolsters deterrence, it is in the U.S. interest to maintain a credible ability to respond decisively to WMD attacks. The logic of the Cold War still applies here to some extent: if those who would contemplate the use of WMD against U.S. targets know that this is likely to result in swift, sure, and devastating retaliation, they may well consider the price of such actions to be unacceptably high—which is the essence of deterrence. (In many cases, an overwhelming conventional response may be the preferred option, if it can be swift, sure, and decisive. For example, if the leaders of a rogue regime understand that the employment of WMD against U.S. forces engaged in a limited military action will result in the expansion of that action's objectives to include the destruction of the regime in question, this may be sufficient to deter the regime from using WMD, even in the absence of a threatened in-kind counter-strike.)

Inhibiting the Spread of WMD

Even though the U.S. government has made preventing the proliferation of nuclear weapons and minimizing the availability of weapons-grade nuclear material one of its top national security priorities,

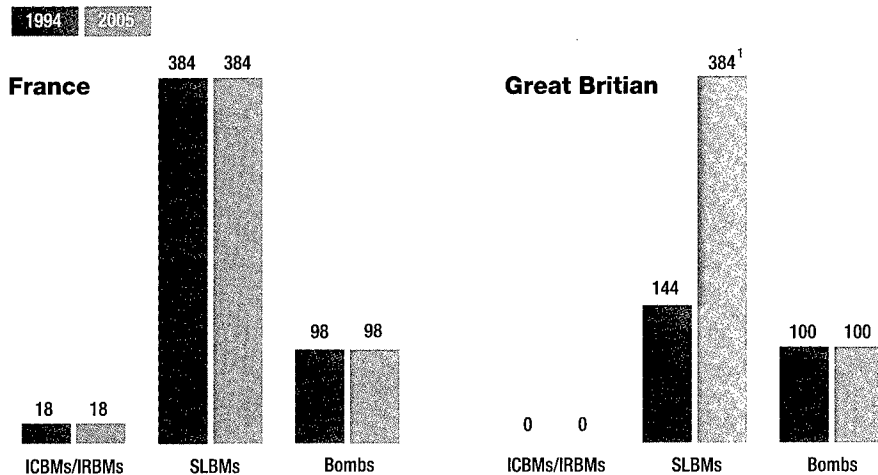
the task is becoming more daunting. Washington will continue to pursue a range of international agreements and mechanisms to control future WMD proliferation, with the 1995 NPT extension conference being the most notable. The ability of the U.S. and like-minded nations to develop a broad support for the treaty, either by agreement or confrontation, underpins nearly every open issue pertaining to WMD.

Key U.S. Security Policy Issues

Maintaining Strategic Deterrence While Furthering U.S.-Russian Relations

It is proving difficult to establish a consensus on a new strategic framework which can be used to determine how strategic nuclear forces fit into the overall U.S. security strategy now that the global competition with the Soviet Union is over. The September 1994 Nuclear Posture Review (NPR) establishes a rationale for U.S. nuclear forces. As discussed in the chapter

Approximate Nuclear Warhead Holdings of France and Great Britain



SOURCES: Francois Mitterand speech, 5 May 1994; *Nuclear Weapons Databook*, volume V.

¹ Assuming 6 warheads per missile and 16 missiles per submarine. Actual deployment may be different with fewer per submarine or fewer warheads per missile, e.g., could be 192 missiles.

on the U.S. force posture, the NPR outlines the U.S. post-START II force structure for 2003, maintaining the triad of submarine-launched ballistic missiles, heavy bombers, and silo-based ICBMs. The recommendations of the NPR resulted from a combination of factors, including START limits, budgetary constraints, and a desire to preserve manufacturing expertise in key areas.

However, the NPR raises but does not answer some key questions relating to the future U.S. nuclear posture. For example, it mentions the possibility of negotiating new agreements for deeper reductions than START II, and intimates that Washington will explore whether unilateral reductions to levels below those prescribed by START II could still yield a sufficient nuclear force.

Yet another set of issues, also addressed in the NPR, relates to the ability of the U.S. to maintain a credible nuclear weapons capability without nuclear testing or fissile material production. For example, how might the U.S. maintain the capability to design, fabricate, and certify new warheads under a Comprehensive Test Ban Treaty? The future of the U.S. nuclear infrastructure and national weapons laboratories are central issues in this context.

Another change in the strategic environment is the growth in the holdings of France, the United Kingdom, and China. France and the United Kingdom are in the

process of modernizing their SSBN forces. France plans to have the first of its Triumphant class SSBNs operational in 1996. Four are planned, each carrying 16 missiles with 6 warheads each. The United Kingdom plans to build 4 Trident submarines. The decision has not been made on how many warheads their missiles will carry. A loadout of between 3 and 6 is likely, which in either case would give the U.K. a larger and more capable SLBM force. China continues to modernize and expand its force. Chinese nuclear forces are more a problem for neighboring nations such as India and Russia. They have only a handful of ICBMs with a range adequate to reach the U.S.

Assisting the Destruction of WMD in the Former Soviet Union

Perhaps the most important nonproliferation initiative currently underway is the assistance being provided to Russia and Ukraine under the Nunn-Lugar program, which assists in the de-nuclearization of the latter and helps the former meet its obligations to destroy its CW stockpile. However, questions continue to be raised about Moscow's capability and, in some cases, commitment to comply with its CWC and BWC obligations. Unconfirmed but persistent public reports of continuing offensive and CW and BW programs in Russia undermine support for Nunn-Lugar funding and could, if not convincingly countered, do serious harm to U.S.-Russian relations.

The future success of the U.S. cooperative reduction initiatives is far from certain. Progress has been made with Ukraine, most notably in the January 1994 Trilateral Agreement on de-nuclearization. However, a variety of problems have arisen with Russia and Ukraine in implementation of the Trilateral Agreement, as discussed in the chapter on transnational threats.

Extending the NPT

The U.S. wants to secure an indefinite extension of the NPT at the April 1995 review conference. The period of extension is perhaps the key issue. The U.S. wants the

treaty made permanent, while some non-nuclear states want extension for a fixed period as short as five years, as part of their effort to speed implementation of the arms control measures set as targets when the NPT was first negotiated, such as a Comprehensive Test Ban Treaty (CTBT). Other issues will also affect the outcome of this conference, including regional issues such as the South Pacific Nuclear Weapons Free Zone, the willingness of nuclear powers to give legally binding security assurances, and the perceived effectiveness of the IAEA in enforcing the NPT.

A number of countries are closely tying their position on the extension of the NPT to progress toward achieving a CTBT. While Washington resists such a linkage, arguing that each agreement should be considered on its own merits, the fact remains that many countries see these two agreements as closely intertwined. Many non-nuclear-weapons states see the CTBT as a long-overdue, concrete step toward disarmament on the part of the acknowledged nuclear powers, and the prospects for a CTBT at the time of the NPT extension conference will have a strong impact on the fate of the NPT. Progress on discussions to establish nuclear-weapons-free zones will have an impact upon the conference as well, in so far as these too are believed to be a harbinger of further commitment to nuclear disarmament.

Several nations have also raised the issue of security assurances, both positive (commitments by the nuclear powers to the security of non-nuclear states) and negative (pledges by the nuclear powers not to use their weapons against non-nuclear nations). Egypt, for example, has long called for updating the 1968 positive and 1978 negative security assurances associated with the NPT, and capturing these in a legally binding vehicle. Washington, however, does not perceive this to be a particularly troubling issue, believing it to be easily resolvable through a protocol associated with the NPT or a U.N. Security Council Resolution, either of which would be legally binding.

Finally, the health and effectiveness of the International Atomic Energy Agency (IAEA) is key to the NPT regime. The IAEA has suffered some setbacks in the last few years, with the post-Gulf War discovery of Iraq's extensive nuclear weapons program (despite the fact that Baghdad was an NPT signatory with an active IAEA safeguards agreement), and North Korea's refusal to allow the IAEA's first attempt to exercise its undeclared site inspection procedures. However, the IAEA did gain greater access to North Korean sites as a result of the 1994 Geneva agreement, though access to the two suspect waste sites continues to be a contentious issue. A strengthened IAEA with the authority to conduct robust inspections of both declared and suspect locations will be critical to the credibility of the NPT.

Pursuing Policies to Reduce Demand for WMD

The U.S. has attempted to develop incentives for potential proliferators not to pursue WMD and disincentives for those who do. One element has been diplomatic dissuasion, which has been a consistent element of U.S. policy. It has in some cases made a major contribution to U.S. nonproliferation efforts; for example, Argentina's decision to end its CONDOR ballistic missile program may have been influenced by Washington's entreaties.

Another approach involves encouraging regional stability through greater dialogue and transparency among regional states, including confidence-building and security measures in such areas as the Middle East and South Asia. Such diplomatic approaches represent a low-cost, non-threatening approach to containing the spread of WMD. In the case of nations that have chosen to remain outside the regimes for controlling the diffusion of WMD, diplomatic dialogue is sometimes the only option for Washington.

A more direct approach to preventing proliferation is through security assurances, either in the form of positive security guarantees to individual states (for example, South Korea) or negative security assurances, such as those associated with NPT membership. However, positive security guarantees have potentially serious



B-1 Bomber—Plans are to incorporate precision strike munitions into this long range counter-force weapon system

implications, and it is not in the U.S. interest to take on such commitments lightly.

Strengthening Counterproliferation

Experience and prudence dictate that, ultimately, some proliferators will succeed in their quest. In addition to strengthening efforts to prevent WMD and missile proliferation, the United States is undertaking a number of measures to protect against such proliferation when it occurs. The 1993 Counterproliferation Initiative is designed to ensure that the necessary defense acquisition, doctrine, and training are in place to provide the U.S. and its forces wherever deployed with the ability to deter and defend against the WMD and missile threat.

To achieve these objectives, the Department of Defense is pursuing enhanced and, in some cases, new capabilities in a number of areas, including:

- Detection and assessment of nuclear, chemical, and biological weapons development programs, as well as tactical detection of CW and BW use;
- Active missile defenses such as an improved Patriot system and the more-capable THAAD;
- Counter-force capabilities designed for use against WMD targets, such as deep-penetration precision munitions for destroying underground WMD facilities.

An additional issue is the U.S. ballistic missile defense program. When President Reagan launched the Strategic Defense Initiative in 1982, the focus of the program was defense of the U.S. and its allies against a massive attack by Soviet strategic nuclear forces, with potentially thousands of warheads. By 1990, relations with Moscow were easing and clear progress was being made in the START negotiations. The threat of a much smaller attack, for example from an accidental launch, or by a regional power with limited holdings, was seen as more likely. Accordingly, the program shifted to an emphasis on global protection against limited strikes (GPALS), designed to handle up to a few hundred warheads. Since the arrival of the Clinton administration, the program has focused on land-based interceptors designed to provide coverage to U.S. forces deployed in regions where they may face weapons of mass destruction mounted on ballistic missiles.

Whether these programs will be successful and sufficient will be determined by several factors. For instance, the rate of technological progress in BW detection and in development of non-nuclear weapons to kill deep underground targets are controlling factors for success in these areas. Another factor is resource limitations, in particular whether, if the DOD budget continues to decline, the U.S. will be able to afford the massive conventional superiority necessary to deter the use of WMD.

Finally, where active missile defenses are concerned, arms control policy may hamper U.S. plans. For example, some believe the ABM Treaty would undercut the military's ability to develop and deploy missile defenses able to counter longer range theater missiles, such as those being developed by North Korea.

Preparing For Regional Instability Resulting From WMD Proliferation

Some analysts argue that proliferation of WMD capabilities—particularly nuclear weapons—may actually serve U.S. interests by moderating the behavior of potentially antagonistic states. Two examples often cited are India and Pakistan and,

more recently, Russia and Ukraine. Such ideas are largely derived from the Cold War strategic experience, in which the balance of terror imposed by nuclear weapons provided stability by deterring the superpowers from conflict.

However, stable deterrence requires more than the deployment of nuclear weapons. On the hardware side, it requires sophisticated command-and-control arrangements and technologically challenging measures to ensure weapons survivability. Absent such capabilities, adversarial relationships can be rendered more, not less, unstable as a result of nuclear weapons. This is a major concern regarding nuclear weapons on the Asian subcontinent, where "use it or lose it" considerations provide both sides with an incentive for first use.

Stable deterrence also requires rational leaders on both sides who, while hostile to each other, hold essentially limited and pragmatic objectives, and are unwilling to commit national suicide for religious, ideological, or personal purposes. This condition also may not hold for a number of aspiring proliferators. For example, a stable deterrence relationship between Iran and Iraq may not be possible, given the highly erratic and unpredictable leadership of both nations. Similarly, Washington should not expect the leadership of a nuclear-armed and desperate North Korea to necessarily see deterrence in the same rational light as the Soviet leaders of yesteryear.

U.S. Force Structure

The collapse of the Soviet Union has relieved the military of its most stressful mission: global competition with a peer military superpower. Coupled with pressure to reduce the federal budget deficit, this has led to a steady drop in the defense budget, with the concomitant reduction in the size and equipment purchases of the armed forces.

While the bipolar competition between Washington and Moscow is clearly no longer a relevant framework in which to plan a military force, there is no consensus on an alternative planning framework to take its place. The Defense Department's 1993 *Bottom-up Review*, commissioned by the Clinton administration's first Secretary of Defense, Les Aspin, upon his arrival in that office, focused on the need to fight two major regional conflicts nearly simultaneously. But since the *Review's* completion, a number of events have occurred that are forcing a re-thinking of the force structure that emerged from it. Continued pressure on the defense budget and unanticipated expenses—such as increased demands for U.S. forces to engage in peacekeeping and humanitarian

operations—have cast doubt upon the ability of DOD to afford the force called for in the *Review*.

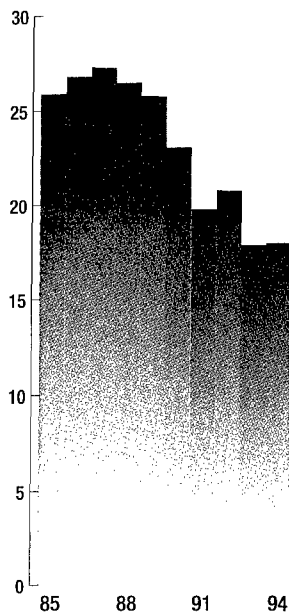
Defining Trends

U.S. Defense Spending Has Dropped Steadily Through The Past Decade

The defense budget declined steadily after the Vietnam War until the late 1970s, when the Carter administration decided that continued growth in Soviet military capabilities required a response. This trend was accelerated during the first term of the Reagan administration, and the defense budget peaked in FY 1985 at \$401 billion (in FY 1995 dollars). Pressure to reduce discretionary spending, intensified by the Gramm-Rudman-Hollings deficit reduction act, led to steady reductions in the defense budget through the remainder of the Reagan administration.

During the Bush Administration, the Conventional Forces in Europe (CFE) and START I and II agreements were concluded. The Warsaw Pact dissolved and the Soviet Union splintered into fifteen separate nations. With the Cold War over, a growing

DOD Outlays as a Percent of Federal Outlays, FY 1985-94



SOURCE: Secretary of Defense, Annual Report to the President and the Congress, 1994

budget deficit, and a Congress and administration unwilling to make deep cuts in domestic entitlement programs, the pressure for reductions in the defense budget intensified. Even Iraq's invasion of Kuwait and the subsequent Gulf War did not ease the pressure to reduce the defense budget. In 1991, the Bush administration completed a study defining a "base force"—the prudent minimum force level below which the nation would be putting its national security at risk.

Pressure to reduce defense spending has continued into the Clinton administration. Entitlement expenditures continue to grow and the defense budget, by far the largest element of discretionary spending, is a natural target for federal budget cuts. The administration's budget plans for the Department of Defense projected continued gradual decline in budget authority through the end of the decade. President Clinton, however, has recently announced an increase in that plan of \$25 billion spread over the coming six years. The Republican Congressional leadership has indicated that it favors a larger increase. Prospects are good, therefore, that the defense budget will stabilize or even increase modestly after ten years of decline.

U.S. Forces Are Programmed to be About 40 Percent Smaller in FY 1999 than in FY 1990

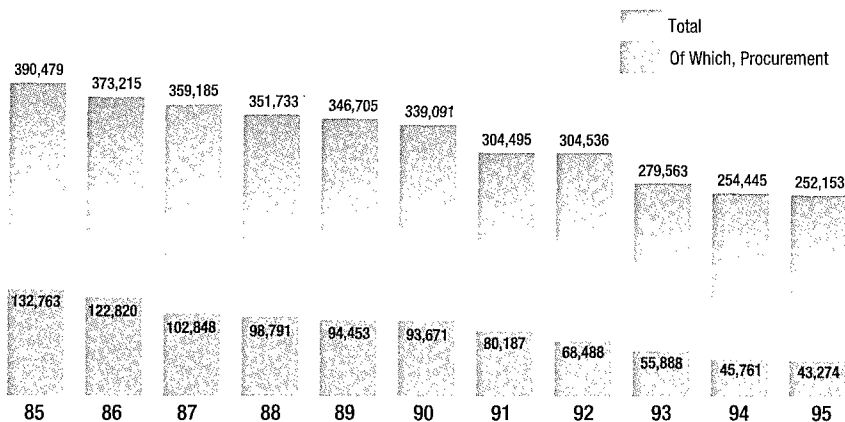
Reductions in defense spending since the late 1980s have led to deep decline in

the size of U.S. armed forces. By the end of the 1990s, U.S. troops in combat formations will have declined by about 40 percent. Overall, active duty military personnel will have been reduced from 2.1 million to 1.45 million. This is the smallest force since the days preceding World War II.

The *Bottom-up Review* suggested an overall force requirement based upon analysis of three types of military operations: fighting major regional conflicts, maintaining overseas presence, and peace enforcement and humanitarian interventions. The major regional conflict is the most demanding of the three, and was therefore the primary determinant of the size of force structure requirement that emerged from the *Bottom-up Review*. The force is designed to fight successfully two major regional conflicts that occur nearly simultaneously. If not engaged in two major regional conflicts simultaneously, the military force recommended by the *Review* would be able to conduct the less-demanding missions of forward presence, peace enforcement, and intervention operations of limited scope.

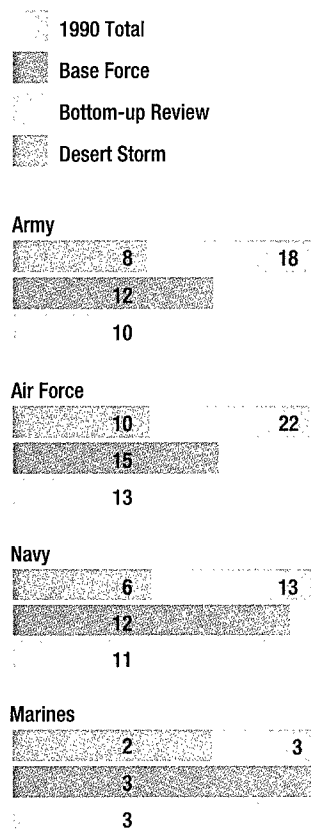
A comparison of the *Bottom-up Review's* recommended force, the Bush administration's base force, the actual U.S. force structure of 1990, and the force deployed in the Desert Storm operation is shown in the figure opposite. This juxtaposition indicates the degree to which U.S. forces have been reduced. The active ground and air forces recommended by the *Review* will be only slightly larger than the forces actually deployed in Desert Storm. Working to offset this decline in sheer numbers, however, are U.S. force enhancement initiatives in the areas of strategic mobility, advanced munitions, and C3I, which will make remaining units more capable than they were in 1991. Still, while the *Bottom-up Review* analysis indicates that the U.S. could win a major regional conflict with less forces than were deployed in Desert Storm, Washington will have less of a margin for error in its future force deployments, should it face a comparable challenge.

DOD Budget Authority, FY 1985-95 (constant 1995 \$ millions)



SOURCE: DOD Budget Estimates, 1995

U.S. Active Force Structure



SOURCE: Secretary of Defense, Report on the Bottom-up Review, October 1993

Weapons Procurement is Not Sufficient to Maintain a Steady Pace of Modernization of the Planned Force

The drop in the defense budget is sharpest in the area of procurement, which has declined by 64 percent in the past decade. Moreover, the trend is toward smaller numbers of higher unit cost systems that incorporate advanced technologies such as stealth technology and advanced sensor and fire-control features. Considerable spending on procurement of weapon systems from the late 1970s through the late 1980s resulted in a wave of modernization throughout the force structure. The Army upgraded its front line forces with new Abrams tanks, Bradley fighting vehicles, and Apache attack helicopters. The Navy expanded its fleet from 12 to 15 aircraft carriers and expanded its battle forces from 479 to 574 ships. The Air Force completed modernizing its tactical fighter fleet with F-15, F-16, A-10, and F-117 aircraft. Considerable investment in intelligence and communications systems with a focus on space yielded an expanded tactical C3I network as well. Most of these systems had been procured and introduced into the force structure by 1991, when they were employed in Desert Storm.

Fewer systems were included in the reduced procurement budgets of the late 1980s and early 1990s, and this has resulted in a sharp drop in the number of weapon systems coming into the force structure in recent years, a trend that will continue in the immediate future. Inevitably, the military's inventory of equipment is beginning to age. The rate at which new weapon systems are being procured is in most cases well below the replacement rate. In about ten years, the services will be facing widespread obsolescence of a number of traditional military equipment items—notably attack helicopters, bombers, airlift aircraft, and submarines. This trend will be further exacerbated if the services are forced by lack of funds to delay or cancel major weapons purchases, as recent guidance from the Office of the Secretary of Defense has suggested. For example, delay or cancellation of procurement of the Comanche armed reconnaissance helicopter

would lead to a serious aging of that fleet in the coming decade as well.

Spending on operations and maintenance, on the other hand, has stabilized, following a steady but modest drop after Desert Storm. In the FY 1995 defense budget, the allocation on operations and maintenance actually increases slightly. Coupled with the continued drawdown of active force structure, this will result in an increase of about 10 percent in spending over FY 1994 on operations and maintenance per active duty unit. This increase, coupled with the decrease in the rate of introduction of new weapon systems into the active forces, has led to enhanced readiness of some units. However, working against this trend is the increasing number of limited operations in which U.S. forces have been engaging. Operations such as those in northern Iraq, Macedonia, Haiti, and Rwanda are not separately budgeted, and come directly from the operations and maintenance accounts—and have cut into funds intended to maintain forces in a high state of readiness.

As the force structure gets smaller, the infrastructure (bases and overhead operations) needed to support it decreases as well. DOD is working to reduce the size of its base infrastructure through the Base Realignment and Closure (BRAC) process. A BRAC commission is working to identify bases that can be closed or consolidated. It is a slow process. Domestic military bases are almost always a key element of the local economy in the area where they are located. Members of Congress therefore tend to fight hard against base closings in their own districts or states. To overcome this political obstacle, the BRAC commission suggests a list of bases for closure and realignment that can only be voted for *en bloc*, which provides a measure of political cover for Congress. Still, the results have been limited. Despite the overall reduction of some 40 percent in the defense budget in the past decade, reduction in spending on base infrastructure has decreased by only about 15 percent. The bulk of this decrease has come from closing overseas bases, most notably in Europe and the Philippines—which is far more palatable to the domestic electorate. Meaningful additional savings will have to come from the more painful



Comanche helicopter prototype

process of closing and consolidating bases in the U.S., with the loss of employment and the dislocation that this entails.

A commission on Roles and Missions has been established to examine more efficient and effective organization and support for the armed forces. While its charter does not focus exclusively on cost savings, it too is investigating ways of minimizing the overhead costs of maintaining the projected force structure.

No More ICBMs, Ballistic Missile Carrying Submarines, or Strategic Bombers Will Be Ordered

By the late 1970s, the U.S. and USSR had built up their arsenals of deliverable strategic nuclear warheads to over 10,000 each. In the 1980s, both sides modernized the arsenals. The core of the Soviet forces were land-based ICBMs carrying multiple warheads (MIRVs), while the U.S. force was more balanced between land-based ICBMs, submarine launched ballistic missiles (SLBMs), and strategic bombers, with the largest number of warheads carried on the SLBMs. Either side was capable of launching thousands of warheads in a single salvo to strike the homeland of the other. In turn, either side would have had ample force remaining to retaliate with a devastating strike on the attacker.

The most destabilizing of the systems were the highly MIRVed, land-based, fixed ICBMs. They could be launched quickly,

with little or no warning to the other side. Moreover, because the loss of a single silo meant the loss of up to ten warheads, there was a strong motivation to launch on warning, before a full appraisal of an attack could be made.

With the eased relations between Washington and Moscow, the START I and II agreements were concluded. Two key provisions of the latter are a limit of 3,000 to 3,500 warheads on either side, and a limit of one warhead on any land-based ICBM.

The treaty calls for reaching these ceilings by 2003. The U.S. is now in the process of implementing the treaty, largely eliminating older, obsolescent delivery systems. Other strategic nuclear delivery systems will either be retired or, in the case of the B-1 bomber, configured to deliver conventional weapons. Washington has no plans to procure any delivery systems beyond those already programmed. Spending for strategic nuclear forces has fallen from \$47 billion in FY 1985 (12 percent of the DOD budget) to \$12 billion in FY 1995 (5 percent of the DOD budget).

Strategic nuclear forces were not part of the primary focus of the *Bottom-up Review*. A separate study, the Nuclear Posture Review was commissioned to perform a separate in-depth analysis of strategic nuclear forces. This review, completed in September 1994, recommended a force structure described in Chapter 9, that maintains the triad—a mix of land, air, and sea based strategic nuclear delivery systems—while reducing the number of warheads to bring the U.S. into compliance with the START II provisions.

U.S. Security Interests

Maintaining the Ability to Deploy Adequate Combat Power on a Timely Basis to Defend U.S. Interests Wherever They Are Threatened

This report identifies a considerable number of U.S. interests. Many are vulnerable to military aggression or coercion of the type that could require the threat or use of military force in response.

For example, ensuring a reliable flow of oil from the Persian Gulf enjoys a broad consensus in the U.S. as an interest that must be defended with military force if necessary. Overt aggression against or threats to friendly oil-producing nations could occur with relatively little warning, as was the case in Iraq's invasion of Kuwait in 1991. A key element in deterring such threats and aggression is the capability of the U.S. to respond with adequate force to repel an aggressor. This requires that the U.S. military maintain the combat, support, and transport capabilities to deploy quickly and effectively a large force far from U.S. territory. This requirement was the key focus of the *Bottom-up Review*.

Maintaining Strategic Nuclear Forces Adequate to Deter a Nuclear Attack on the U.S. or Its Key Allies

During the Cold War, a key component of national security strategy was the maintenance of adequate strategic nuclear forces to deter the Soviet Union from a nuclear attack on the U.S. The conclusion of the START II treaty and greatly improved relations with Moscow have made the threat of a massive nuclear attack on the U.S. less likely than at any time in decades. Nevertheless, thousands of nuclear weapons are still deployed on the soil of the former Soviet Union, and even after the START II treaty is implemented, Russia can retain some 3,000 deliverable strategic nuclear warheads. Since the consequences of a massive nuclear attack on the homeland are so severe, the U.S. must never be without adequate deterrence against such an attack.

Maintaining a Network of Military Alliances with Friendly, Like-Minded Nations

While the traditional role of U.S. post-war alliances—to provide a check on Soviet military power—is no longer critical, they still serve important military and diplomatic ends. U.S. interests span the globe, but Washington cannot bear the sole responsibility for responding militarily to threats to

those interests that are held in common with the other market democracies. Not only is operating in a coalition often a political imperative, but the number of instances requiring military action is increasing, and U.S. forces are being stretched thin.

It is impossible to predict in advance which nations will be willing to join a coalition to participate in a specific operation. Nevertheless, by maintaining alliances with like-minded nations that include an element of military cooperation, the U.S. will remain familiar with the military operations of a number of potential coalition partners. This will facilitate coalition operations if and when deployment of a combined force takes place.

U.S. alliance networks with European and Pacific nations provide a powerful hedge against the re-emergence of a regional aggressor. They also provide a forum for the alliance members to discuss security issues openly, to help prevent the emergence of disputes or to resolve those that do arise.

The presence of U.S. forces with substantial military capability makes U.S. security commitments in Europe and in Northeast Asia credible. The periodic presence of U.S. naval forces in other regions, such as the Persian Gulf, also promotes U.S. influence. Would-be aggressors in regions where the U.S. maintains a presence must factor a potential U.S. military response into their calculations.

Key U.S. Security Policy Issues

Modernizing Equipment in the Planned Force Structure, Given Budgetary Constraints

Barring some severe threat to U.S. national security that demands a military build-up, the defense budget will continue to be under considerable pressure through the end of the decade. At the levels of procurement funding currently planned, there is not enough money to maintain a rate of replacement of the equipment in the planned force structure. Further, the military services have been explicitly instructed to focus on quality of life, training,



F-22 Fighter prototype

and readiness of forces, and to look to the procurement accounts first if additional savings are needed.

This is not an immediate problem. Large inventories of equipment were procured in the 1980s, and much of it has years of useful service remaining. The question of equipment modernization cannot be avoided indefinitely, however. The Clinton administration recognizes this and intends that a portion of the additional \$25 billion it plans to add to the FY 1995–2000 defense budget will go toward procurement. The Republican leadership has indicated that it will seek additional funds to address this issue. Still, if the trend toward reduced procurement is not reversed, DOD faces difficult choices. Each carries considerable risk either to the capability of U.S. forces in the near term or to the military's ability over the longer term to maintain the edge U.S. forces currently enjoy over present or emerging adversaries. Three options are outlined below:

Stick With the Present Program, Thereby Deferring the Problem. The equipment introduced in the 1980s through the early 1990s still represents the most modern and capable military equipment in the world. There is no serious challenge to U.S. leadership in military hardware, and those nations currently developing technically advanced military hardware are traditional U.S. allies in any case. Since most capital military equipment enjoys a useful life of some 20

years, or even 30 years with adequate maintenance and refurbishment, the effects of deferring modernization will not be felt in most classes of equipment for another decade.

But there are a number of risks associated with allowing the military's equipment to age without plans to renew it on a steady basis. First, when block obsolescence does hit in 10 to 15 years, the procurement bill will be prohibitive, forcing the services to either shortchange other accounts or hold on to equipment beyond its useful lifetime. Second, if the Defense Department is not buying new equipment, the U.S. defense industry has no incentive to continue to develop new and better materiel and to keep skilled personnel in place. When the time arrives to begin a new round of procurement, the industrial infrastructure will be diminished. It will then be necessary to pay more to re-establish production lines, and to live with the consequences of years of inattention to designing and manufacturing new military equipment. Finally, if a serious adversary should arise, the dearth of operating production lines will make build-up of U.S. forces slower and more expensive.

Reduce the Planned Force Structure. Reducing the size of the force structure would help restore the balance between force size and modernization in two ways. First, less materiel would be needed to equip the force, so smaller buys would be required to maintain a steady pace of modernization. Second, the money saved on personnel and on operations and maintenance costs with a smaller force structure could be freed up to increase the procurement budget.

The risk in this option is that the U.S. may sacrifice present capabilities in order to invest in the future. In the interim, the U.S. could find itself without an adequate active force structure to implement the strategy articulated in the *Bottom-up Review*. Further reductions in force structure would carry the risk that two major regional conflicts could not be fought simultaneously, at least not without considerable assistance from allies.

Find Ways of Operating That Are Less Manpower and Force Structure Intensive. The experience of Desert Storm has been influential in shaping analyses of U.S. force

structure needs for the coming decades—in particular, for assessing the forces required to fight two major regional conflicts.

A critical part of the advantage that the allied forces gained over Iraq came from their technological edge, which was on display in such highly-specialized systems such as stealth aircraft, precision guided munitions, and superior battlefield surveillance and intelligence. A straightforward count of divisions, tactical fighter wings, and aircraft carrier battle groups tells only part of the story. An approach to force planning that focused on the contributions made by such specialized systems on the modern battlefield might allow savings on traditional weapons platforms such as tanks, planes, and ships, and provide the resources to exploit the opportunities that advances in technology offer to U.S. armed forces.

The risk of this option is that, because fielding such specialized, high-leverage, high-technology capabilities is preceded by years of expensive research, development, and procurement, finding the funds for an investment strategy that focused on such capabilities would require cutting force structure now. Once again, a measure of present capability would have to be sacri-

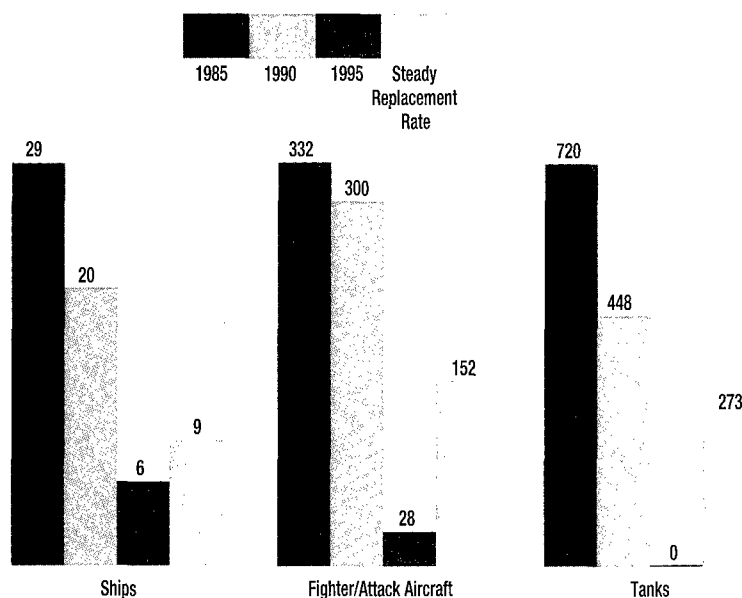
ficed to make resources available to ensure strength in the future.

Deciding Whether to Pay the Price of Maintaining a Large Overseas Presence

As the overall U.S. force structure declines, it will become more difficult to maintain a robust, permanently-stationed U.S. force overseas. Currently, a forward presence of about 100,000 troops in both Europe and the Pacific rim is envisioned. The U.S. deployment in Europe has endured for four decades as part of a strategy to contain aggression by the Soviet Union. However, now that the Cold War is over and none of Washington's European allies faces the threat of invasion, it might seem safe, from a strictly military point of view, to return these forces to the U.S. This would result in considerable savings. Withdrawn forces could be maintained in a high state of combat readiness in the U.S., and, should a crisis break out, could still be dispatched nearly as quickly as if they were sent from their in-theater casernes.

However, apart from the political question of maintaining a U.S. presence in Europe as a stabilizing force, this option carries two risks: that deterrence would be reduced because the U.S. presence was no longer be visible to a potential aggressor, and that coalition operations would be hampered because U.S. forces were no longer present to train and exercise with allies. The first risk has diminished greatly in Western Europe, where concerns over an invasion threat have generally vanished. Concerns of intimidation by Russia are greatest in the Central and Eastern European nations of the former Warsaw Pact; here, considerable support for U.S. military presence remains. The second risk is more of a concern, as NATO begins to emphasize out-of-area peace enforcement operations, and coalition actions to address emerging crises multiply. Close, ongoing coordination, information exchange, and exercises greatly facilitate the integration of U.S. forces with those of NATO and some potential Eastern European coalition partners.

Weapons Systems Procurement



SOURCE: Congressional Budget Office.

NOTE: The steady replacement rate estimate is the number of weapons DOD needs to buy each year, on average, to support planned 1999 forces.

In addition, U.S. forces in Europe are intended to be the keystone to the Partnership for Peace program of joint training and exercises with Eastern European nations.

Korea presents a much more concrete challenge. There is an immediate and present military threat to South Korea, and until the tension on the peninsula is resolved, the risk of withdrawing U.S. ground and air forces is considerable. U.S. deployments in Japan provide a reservoir of rapid reaction reinforcements in case of a crisis in Korea, as well as serving to underpin the U.S. security alliance with Japan. Moreover, savings from base closures in the Pacific would not be substantial, as the Japanese and Korean governments currently pay about 70 percent of the costs of maintaining bases in their nations.

Assessing the Appropriate Force Structure

The programmed force structure is based on the *Bottom-up Review*, and focuses on fighting two nearly simultaneous major regional conflicts. Some sources of conflict envisioned in the *Review* may in the next decade work their way toward resolution. Further, it will be difficult to find the resources to modernize the equipment in the programmed force without squeezing out resources needed to maintain readiness and to invest in high-technology, high-leverage military systems.

An alternative method of planning would be to drop specific scenarios and focus defense resources on the military capabilities the U.S. will need in the long term. Washington cannot predict with precision the next conflict it will face, but it can make a fair assessment of the types of capabilities—in terms of new technologies, information dominance, and new doctrinal concepts—that the military will have to bring to the next battlefield. The starting point is to recognize that the classical units of armed forces such as divisions, tactical fighter wings, and carrier battle groups are no longer the only way to bring firepower to a battlefield. Small numbers of specialized, highly capable systems can provide the edge over large classical forces in a conflict.

In Desert Storm, superior reconnaissance, surveillance, and intelligence systems gave the allied forces knowledge of

the battlefield far beyond that available to Iraq. Allied forces could deploy in secret, and with full knowledge of the disposition of the main elements of the Iraqi forces. The allies could monitor the movement of Iraqi combat aircraft and attack and destroy them almost at will. Stealth aircraft were able to fly deep into Iraqi territory to strike heavily defended, high-value targets in Baghdad and its environs. Precision guided munitions also struck high-value targets, decimating Iraq's command, control, and communications network and destroying bridges across the Euphrates. This virtually isolated the Iraqi troops from the leadership in Baghdad, destroying morale and making a coordinated response to coalition attacks impossible. This list, while not exhaustive, is indicative of the way warfare has already changed. As technology progresses, the U.S. will have to invest in promising areas of military technology, and develop the required doctrines, command and control resources, and organization to exploit these opportunities.

This does not mean ignoring traditional military formations. As effective as the systems used in Desert Storm were in destroying key parts of Iraqi defenses, a ground combat force remains essential to taking and holding territory. But a focus on incorporating advanced technology more rapidly and more broadly into the military does mean a smaller force structure than called for in the *Bottom-up Review*, to free up the required resources.

Operating in Coalitions

In the *Bottom-up Review*, adequate conventional force structure was programmed to ensure that the U.S. could meet its goals unilaterally. However, the margin of error was not great. Moreover, the demand for U.S. military intervention in peacekeeping or humanitarian operations is proving to be heavy. In 1991–1994, there were eleven occasions in which the U.S. deployed 300 or more troops to provide peacekeeping or humanitarian relief overseas. This places a considerable strain on the U.S. ability to maintain the readiness of its forces to fight two major regional contingencies nearly simultaneously.

An alternative approach would be to accept that most if not all of the missions envisioned for the military—meeting major regional contingencies, providing forward overseas presence, and peacekeeping and humanitarian relief—will be done with coalition partners, and to configure the U.S. contribution to the coalition accordingly. The U.S. brings to the field unique capabilities that are key to the execution of an operation. These include:

- Intelligence and surveillance systems that can be focused on a local area.
- Command, control, and communications systems that can be deployed to remote areas.
- Strategic mobility—particularly airlift for heavy cargo.
- Nighttime operating capabilities.

For high intensity warfare, the list also includes:

- Broad area naval power.
- Deployable air defense networks, including an evolving anti-tactical ballistic missile capability.
- Long range precision strike systems.
- Stealth combat aircraft.
- Long range bombers that can carry large conventional payloads.

The U.S. might then rely on coalition partners to bring to the field a larger portion of the classical military formations that are still needed in a broad range of military operations, from the high-intensity warfare prosecuted in Desert Storm to the humanitarian relief operation in Rwanda.

The risk, however, is that U.S. partners may not be there when they are needed. However, this problem is probably manageable. The political imperatives for engaging in overseas operations in a coalition are so strong that, in almost every case, the U.S. would expect to deploy with partner forces anyway. Moreover, the security interests of the market democracies are very similar, and these nations—particularly those of Western Europe—have forces of sufficient size and competence to effectively supplement U.S. deployments. For monitoring and patrolling functions in peacekeeping operations, many nations have infantry units with adequate skills. Finally, the coalition approach also gives the U.S. the option of participating in operations with a lower profile.

Determining the Appropriate Structure for U.S. Strategic Nuclear Forces

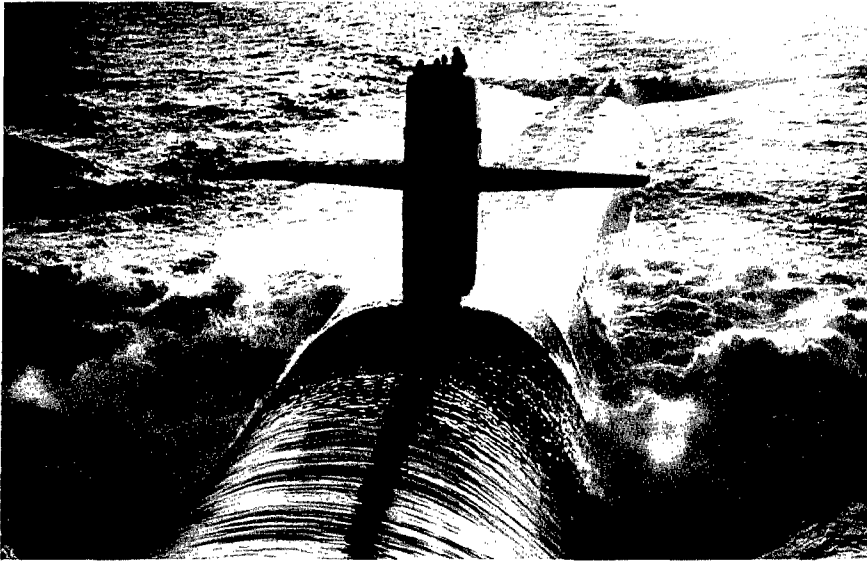
The Nuclear Posture Review was conducted over the course of 1994 to determine the appropriate strategic nuclear force for the United States in 2003, when the START II limits must be reached. The study group examined a number of key issues including:

- How many of the 18 Ohio class ballistic missile submarines (SSBNs) should be configured to carry the Trident II missile?
- Can the silo-based ICBM (Minuteman) force be reduced or even eliminated?

The Trident SSBN Force. The SSBN force was programmed to consist of eighteen Ohio class submarines, the most modern ballistic missile carrying submarine. Ten were programmed to carry the Trident II missile that carries the highly accurate D-5 warhead and has a longer range than the Trident I missile. The accuracy of the D-5 warhead would give it a hard-target kill capability comparable to land based missiles. The remaining eight boats would continue to carry the Trident I missile that carries the less accurate C-4 warhead.

Neither of these capabilities, hard target kill or extended range, is as critical to the force today as it was when the D-5 program was introduced in the mid-80s. The enhanced accuracy of the D-5 warhead was useful when large numbers of hard targets in the Soviet Union had to be held at risk to deter a nuclear strike on the United States. Even if the U.S. should return to adversarial relations with Moscow, there will be fewer high value hard targets to cover when START II is implemented. The extended range of the Trident II missile is useful if the SSBNs are facing a challenging anti-submarine warfare threat. This is not the case today, nor is Russia building anti-submarine warfare systems at a rate sufficient to recover, let alone exceed, the threat the Soviets were able to pose to U.S. SSBNs in the 1980s.

The Nuclear Posture Review concluded nonetheless that it was important to proceed with the retrofit of an additional four of the eight boats not yet configured to carry the Trident II missile. This keeps the missile production line open through the end of the decade, thereby preserving



Trident Submarine

the technical and industrial infrastructure needed to build ballistic missiles. Should the U.S. be forced to reconstitute this capability, a cadre with the requisite expertise in re-entry vehicle design and fabrication and guidance technologies will be in place.

Silo-based ICBMs. A key recommendation of the Nuclear Posture Review was to maintain three wings of silo-based Minuteman III ICBMs, a total of 450 to 500, down from a total of 1000 before the START agreements. The remaining Minuteman missiles will be converted from three warheads per missile to one warhead per missile to comply with the START II provision that bans land based ICBMs that carry multiple warheads (MIRVs). Any consideration of reducing the force further or eliminating the land based leg of the triad was deferred until after the full implementation of START II provisions.

Before coming to this decision, the question of whether the SLBM and strategic bomber force would suffice in the changed strategic environment was raised. A number of converging factors led the Nuclear Posture Review task force to reexamine the contribution of the silo-based portion of the force to overall deterrent strategy:

- With the threat of a massive short-warning nuclear strike greatly diminished, the need for a triad to complicate the attacker's planning has diminished.
- The accuracy of the D-5 warheads on the Trident II submarine-launched ballistic missiles give them an accuracy comparable to silo-based ICBMs.

- With the drop in Russian open ocean anti-submarine warfare capability, prompt communication with the SSBNs is possible without so serious a compromise of their safety.

The issue was sharpened by the need to invest several billion dollars in the aging Minuteman force to keep it serviceable. The missiles' rocket motors are due to be refurbished and the guidance system needs to be overhauled.

That said, the conclusion of the Nuclear Posture Review was that the Minuteman III force does provide a prudent and relatively inexpensive hedge against the breakdown of good relations with Russia, with a subsequent halt in implementation of the START II treaty. A dispersed force of single warhead missiles in hard silos diminishes the advantages of a pre-emptive strike. An attacker would have to expend several warheads on each silo to achieve a high confidence of destroying it, making the Minuteman force into a large set of low-value targets. Moreover, a force of 450 to 500 Minuteman missiles presents a target set well beyond the capability of nations with small holdings of nuclear missiles to eliminate. Further, the decision to overhaul the missile's guidance system and refurbish its rocket motor will preserve the industrial and technical base of these weapons for another decade.

Finally, two unique characteristics of the Minuteman force were deemed worth preserving. Even with only a single warhead, they are the least-expensive basing mode per warhead on station. They also provide the greatest safety and most secure command and control.

Arms Transfers and Export Controls

Just as the end of the Cold War has forced a major policy review of international and regional security objectives, a major re-evaluation of U.S. arms transfer and export control policy is also underway. Much of U.S. arms transfer policy over the past four decades revolved around helping to arm friendly countries whose neighbors were within the Soviet sphere of influence. This policy sometimes resulted in arming one faction in a civil war against another. In cases ranging from Vietnam to Nicaragua and Angola, the U.S. simply armed whichever side lacked a Soviet sponsor.

Export control policy is also in transition, but at a slower rate than the market that it attempts to regulate. In this unruly world, with regional animosities and ethnic rivalries reasserting themselves, there are also more arms exporting countries, thus complicating efforts by supplier countries to control arms sales.

Some argue that it is now appropriate for arms producing countries, on moral grounds, to sharply reduce their participation in the arms market. However, in the major arms exporting countries (the U.S., Europe, and Russia), the more pressing issue is the growing tension between, on

the one hand, the imperative to avoid contributing to regional arms races and arming people who might turn out to be adversaries in the future, and, on the other hand, the desire to help friendly countries defend themselves, as well as to retain high quality jobs, maintain a defense industrial base, and hold down unit costs of systems procured for one's own military.

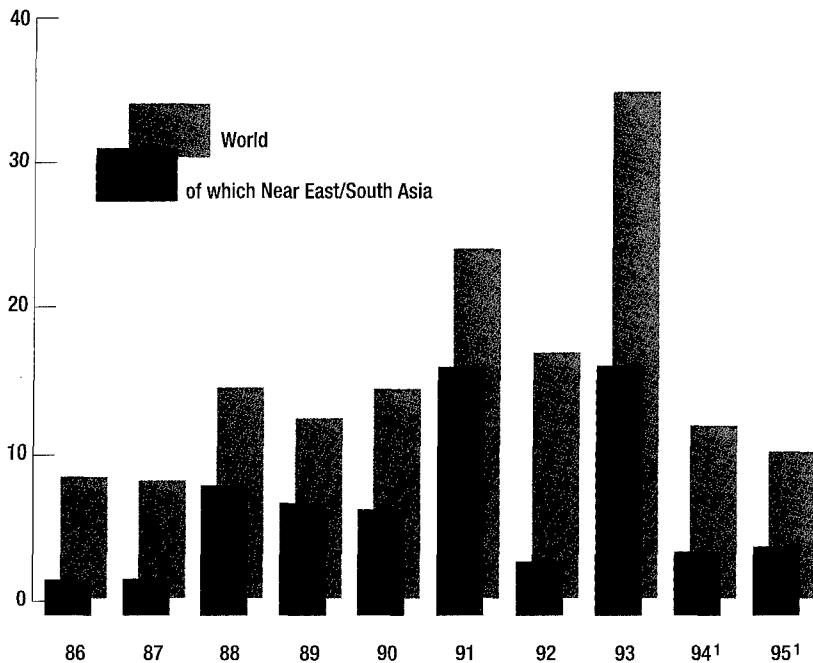
Defining Trends

There is a widespread public perception that, with the end of the Cold War, defense companies are frantically looking for new markets, and that arms transfers to the less-developed world have exploded. Also, many have the impression that U.S.-based companies have been more successful than most, and that U.S. arms transfers are rising.

These perceptions are only partly accurate. It is true that competition is heating up in world markets as defense firms in the U.S., Europe, Russia, and the industrializing countries see exports as more important than in the past. However, world arms transfers have been shrinking steadily for a decade, and this is particularly true of arms transfers to developing countries.

United States Foreign Military Sales and Construction Agreements, FY 1986-95

(constant 1995 \$ billion)



¹ Current Estimate

SOURCE: Defense Security Assistance Agency

In short, a scramble for export markets is taking place in a declining marketplace. U.S. arms deliveries have been more or less constant for a decade. But as the market has declined while U.S. exports have not, U.S. market share has increased.

Data on Arms Sales Do Not Reveal Much About the Military Importance of the Arms Trade

In assessing the impact of arms transfers, serious analysts do not focus on financial measurements because prices vary radically with circumstances, and many sales are not meaningful in terms of combat effectiveness. A good example of the mismatch between quantitative and qualitative valuations is the sale of the bulk of the former East German navy to Indonesia at a fraction of its original value.

Nor is there a good correlation between a nation's military expenditures and the dollar amount of arms transfers to or from

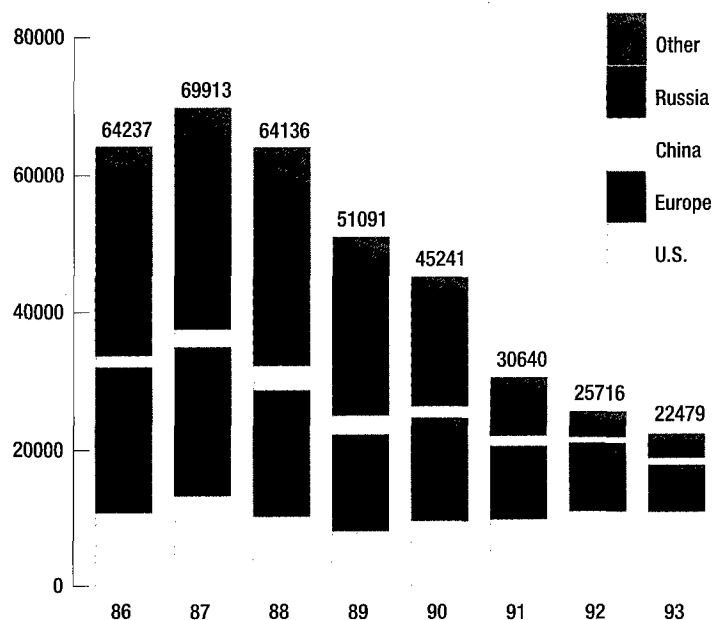
that country, because internal production capacity varies dramatically among nations.

The world's arms transfers are generally analyzed in terms of "agreements" and "deliveries." Agreements refer to signed contracts. Data on agreements reached during a specific year give an indication of future arms shipments, but do not tell much about actual arms deliveries during that year. Furthermore, agreements can be announced, but later cancelled or altered. Arms deliveries or shipments, on the other hand, refer to actual exports of defense equipment from one country to another during a specific year.

Sources on international arms transfers include the Stockholm International Peace Research Institute (SIPRI), which publishes figures for the rest of the world based on public sources, and data series published by the Arms Control and Disarmament Agency (ACDA) and the Congressional Research Service (CRS), which look at both public and internal U.S. government sources. SIPRI data tends to focus on transfers of major weapons platforms, while ACDA and CRS figures include all military equipment, and in some cases, training and support services as well. The CRS data base slightly understates U.S. sales because it excludes commercial transactions. Although the State Department knows the value of licenses it issues each year for commercial sales—about \$1 billion in FY 1994—data on whether the licenses were actually used and shipments made is spotty.

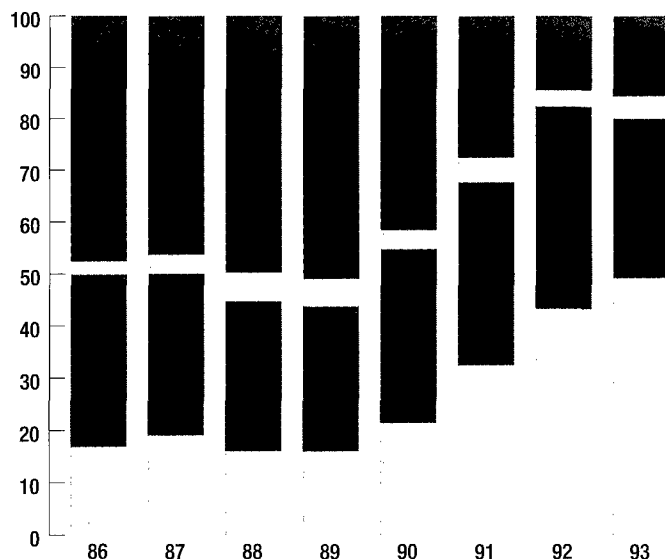
Interpreting arms transfer data is also complicated by production licensing agreements in which one country provides another with the technology needed to manufacture a weapons system. Production licensing agreements are not included in arms transfer data, nor are shipments of commercial equipment which might be used for military production. As defense establishments increasingly turn to off-the-shelf commercial products in areas such as communications, surveillance, data processing, encryption, and night vision, this will become a more important source of weapons acquisition for importing nations.

Arms Deliveries World-wide by Supplier, 1986-93 (constant 1993 \$ millions)



SOURCE: Congressional Research Service

Arms Deliveries World-wide by Supplier, 1986-93 (percent of value)



SOURCE: Congressional Research Service

Sales to Less-Developed Countries Are Concentrated in Asia and the Greater Near East

About 38 percent of arms transfers since the end of the Cold War (in calendar years 1990-93) have been among the arms producing countries themselves. The remainder, classified by the CRS as deliveries to the Third World, were valued at about \$89 billion in constant 1993 dollars.

Asia Pacific. Since the end of the Cold War, the nations of this region accounted for about 38 percent of arms purchase agreements by developing nations. Noteworthy agreements have included:

- Taiwan's approximately \$6 billion worth of orders from the U.S. in 1993, including sales of F-16 fighter aircraft, C-130 transports, and Harpoon anti-ship missiles.
- Indonesia's purchase of 39 second-hand warships from Germany, including three submarines.
- Malaysia's acquisition of Russian MiG-29 fighters, making it the first country in South-east Asia to acquire these aircraft, and its simultaneous purchase of F/A-18 fighters from the U.S.
- Thailand's acquisition of E-2 early warning aircraft, SH-60 Seahawk helicopters from the U.S. for use on a new helicopter carrier to be completed in 1997, and A-7 fighter aircraft.

Greater Middle East. The Greater Middle East retained its position as the largest recipient of arms transfers, with about 56 percent of the value of agreements outside of the industrialized world during the 1990-1993 period. Highlights in this region since the end of the Cold War include:

- In financial terms, Saudi Arabia has been the leading purchaser of arms in the Third World, with agreements totaling over \$35 billion covering high value items such as 72 F-15 fighters contracted for in 1993.
- Kuwait ranked second in 1993, signing agreements worth over \$3 billion, including buying 256 M1A2 tanks from the U.S.
- The number of naval combatants delivered to this area—including two submarines to Iran, and one major and 45 minor combatants to others in the region—changes the maritime situation there significantly.

Western Hemisphere. Latin America has accounted for only 4 percent of the value of arms transfer agreements outside the industrialized world since the end of the Cold

War. Russia was the region's chief supplier, with about 43 percent of deliveries. Europe was second in deliveries, and the U.S. was third, accounting for about 21 percent.

Sub-Saharan Africa. This region has been on the receiving end of only 2 percent of the value of 1990–1993 arms transfer agreements outside the industrialized world. Russia and China together accounted for over one-half of deliveries during the period. The U.S. provided less than 6 percent.

International Arms Sellers Face a Buyers' Market

Expenditures on defense equipment have dropped by more than 50 percent over the past decade in the U.S., most European countries, and Russia. Arms purchases by the rest of the world have also drifted downwards. At the same time, most industrializing countries are attempting to increase their ability to produce, and in some cases to design, their own weapons systems. This means they are adding capacity, and in many cases will be attempting to export some of their production. Thus, arms sellers are facing a buyers' market, in which purchasers can demand lower prices and greater offset.

Russia. The most important development of the past decade in the arms transfer realm is the precipitous decline in Soviet/Russian transfers, which began in

1988–89 and bottomed out in 1992. This decline was primarily related to the collapse of the Soviet Union and the subsequent unwillingness of Russia, and other former parts of the Soviet empire, to provide military equipment to socialist regimes as a grant or at bargain prices. Barter arrangements, based on swapping military equipment for commodities priced far above prevailing world prices, also have fallen out of favor.

The drop in Soviet/Russian shipments primarily affected developing countries such as Afghanistan, India, Iraq, Cuba, Vietnam, Angola, and Ethiopia that depended on Soviet/Russian weapons. The decline in Soviet/Russian shipments to their clients has in turn meant neighboring countries can reduce their arms purchases. However, even excluding Soviet/Russian sales, there has still been a gradual drop in the less-developed world market. This is presumably due to factors such as the shift to democratic governments in Latin America and Asia that has resulted in reduced defense budgets.

The question of Russia's current arms relationship with Iran is a matter of some concern. Both President Clinton and Secretary of State Christopher have made clear that the U.S. is troubled by Russia's dealings with Iran, and that continuation of those dealings is incompatible with the goal of creating a multilateral regime to deal with arms and dual-use technologies.

Concerns about political stability in Russia—particularly the specter of countless thousands of unemployed former defense workers being thrown into a civilian economy that is in turmoil—argue against the rapid downsizing of the defense industry there. Washington's decision to spend significant sums on defense conversion abroad is a reflection of this dilemma. As the President's *National Security Strategy of Engagement and Enlargement* report of July, 1994, asserts:

Measures to reduce over-sized defense industrial establishments . . . will also contribute to stability in the post-Cold War world. The Administration will also pursue defense conversion agreements with [former Soviet Union] states, and possibly China.

Major Items Transferred, by Region, 1990–93

	Asia Pacific	Near East	Latin America	Sub-Saharan Africa
Tanks and Self-Propelled Guns	1,535	1,722	240	240
Artillery	1,426	1,868	140	1,540
APCs and Armored Cars	2,051	1,793	170	269
Major Surface Combatants	17	1	5	1
Minor Surface Combatants	61	69	20	27
Guided Missile Boats	2	—	—	—
Submarines	3	2	1	—
Supersonic Combat Aircraft	388	365	20	40
Subsonic Combat Aircraft	44	20	104	30
Other Aircraft	257	175	113	129
Helicopters	273	116	158	20
Surface-to Air Missiles	3,685	2,635	60	30
Surface-to-Surface Missiles	380	270	—	—
Anti-Shipping Missiles	113	260	20	—

SOURCE: Congressional Research Service

Top Ten Recipients of Soviet/Russian Arms Deliveries, 1987-91

1.	Afghanistan	\$13.2 Billion	16% of Total
2.	India	10.2	12
3.	Iraq	7.4	9
4.	Cuba	6.5	8
5.	Vietnam	5.9	8
6.	Syria	5.5	7
7.	Angola	4.1	6
8.	Ethiopia	2.9	4
9.	Libya	2.4	3
10.	Poland	2.4	3

SOURCE: *World Military Expenditures and Arms Transfers, 1991-92*, issued March 1994, ACDA.

The United States. Although the value of U.S. arms transfer agreements rose in 1991-1993, U.S. deliveries have held relatively constant to both the world and to developing countries. The U.S. supplies a much wider market than was the case of the Soviet Union, and most of its major customers pay cash. About half are industrial countries, and most of the remainder are either affluent developing countries (such as Saudi Arabia, South Korea, and Taiwan) or recipients of grant aid, as in the case of Israel and Egypt.

New agreements jumped substantially in the 1991-93 period, as Saudi Arabia and Kuwait increased purchases during and after Desert Storm, and the Bush Administration agreed to a \$6 billion sale of F-16s to Taiwan. In 1993, the U.S. was the leader by far in new arms transfer agreements, signing agreements totaling some \$22 billion, or about 70 percent of the world total. This jump in sales implies that actual U.S. exports will increase somewhat in the late 1990s, if the agreements are executed on schedule.

The sharp drop in Soviet/Russian exports—combined with a gradual decline in the exports of other U.S. competitors, while U.S. shipments held constant—resulted in an increase in U.S. market share from

Top Fifteen Recipients of U.S. Arms Deliveries, 1987-91

1.	Saudi Arabia	\$5.5 billion	9% of Total
2.	Iran	5.1	8
3.	Israel	5.0	8
4.	Turkey	3.7	6
5.	United Kingdom	3.2	5
6.	Taiwan	3.0	5
7.	South Korea	3.0	5
8.	Australia	2.9	5
9.	Spain	2.9	5
10.	Germany ¹	2.8	5
11.	Egypt	2.6	4
12.	Netherlands	2.2	4
13.	Greece	1.8	3
14.	Thailand	1.3	2
15.	Italy	1.2	2

¹ 1987-90 West Germany, 1991 the unified Germany.

SOURCE: *World Military Expenditures and Arms Transfers, 1991-92*, issued March 1994, ACDA.

around 20 percent to almost 50 percent at the beginning of the decade. That market share is likely to increase to the extent that the sales agreements of 1991-93 become real exports later in the decade.

The dependence of U.S. defense firms upon foreign orders is also increasing. As recently as 1986, for example, military exports accounted for only 7.5 percent of U.S. production of military aerospace production. By 1993, the figure had doubled to 14 percent. If we look at specific systems, the numbers are even more dramatic. In FY 1995, the Pentagon will be spending around \$4 billion to design new fighter aircraft (the F-18E/F and F-22), but only \$1 billion to acquire them.

Of the three fighter aircraft lines in the U.S., the F-15 and F-16 will be entirely dependent for new orders on foreign sales. Similarly, the Apache and Blackhawk helicopters, the Bradley and Abrams armored vehicles, and the Patriot missile lines are all being kept alive almost exclusively by exports. Such exports are critical if a defense infrastructure is to be kept in place to enable new systems to begin production at affordable cost on short notice. The alternative is to increase DoD purchases of equipment it does not need and cannot afford.

Seeking export markets is only one part of U.S. industry's strategy to adapt to the shrinking defense market. Another significant trend has been to reduce the overall capacity of U.S.-based military industries. Companies have shed workers and facilities, and have sold off product lines and divisions that they could not dominate. Dramatic mergers and acquisitions, such as the marriage of Lockheed and Martin Marietta, are also taking place.

Defense companies are also undergoing the kinds of restructuring occurring in other manufacturing sectors. Layers of management are being eliminated, and contractor/subcontractor relationships are being converted to true partnerships, instead of the traditional arm's length relationships characterized by fierce price competition.

Europe. Both Russia and Europe are more dependent than the U.S. on foreign sales to provide work for their defense industries. Yet as domestic defense budgets decline in Europe and Russia, foreign sales by those countries are dropping as well—in contrast to the steady exports of U.S. producers. The U.S. has historically assumed that a strong European defense industry is in its interest, but this assumption needs to be re-examined in light of overcapacity in global defense industries and the effort to control global arms transfers.

European defense companies have been undergoing similar consolidation and have essentially reached the limits of such restructuring within national borders. Yet U.S.-based companies are able to take restructuring further, so as to create relatively low-overhead institutions that are considerably larger than Europe's "national champions." Further economies of scale in the European industry will have to

wait for the elimination of political obstacles to cross-border alliances among defense companies, which will take time.

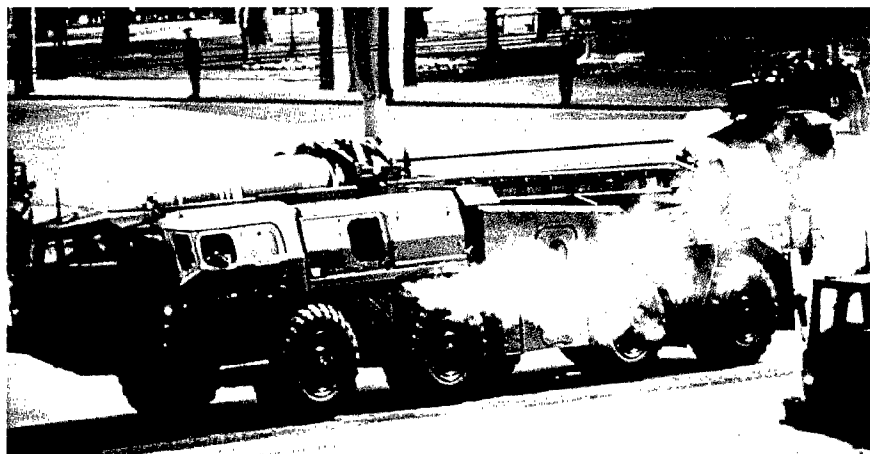
Even if such arrangements are completed, U.S.-based companies should retain a competitive edge, as full mergers of management in European partnerships are unlikely. One reason true competitive mergers are unlikely is that some of the largest European defense companies are government-owned. Instead of lean multinational companies, unwieldy cooperative projects—such as the Eurofighter, Eurofrigate, Eurocopter, and similar arrangements for a military transport aircraft and an armored personnel carrier—will continue to dominate the European approach. Such projects are modeled on the Airbus consortium, which has succeeded in grabbing market share from U.S. civilian aircraft producers, but only at a considerable cost in high overhead and government subsidies.

Recently, European defense manufacturers have begun to recognize that they are falling behind the U.S. competition, and calls for a "buy Europe" policy are now being heard. French and German companies, in particular, are seeking protection. They have been heavily hit by the reduction in the size of the export market, the success of their U.S. competitors, and the reduction in the size of the German armed forces.

Surplus Equipment Plays A Major Role

The large inventories of equipment that U.S., European, and Russian forces no longer need, and cannot afford to maintain in inventory, have had a significant impact on the current international defense market. Some of this equipment is finding its way into international markets at bargain prices. This phenomenon began as a result of the Conventional Forces in Europe (CFE) agreement, which limited major platforms for all countries west of the Urals. As a result, a cascade of older equipment from wealthier countries to poorer countries is underway. The end of the Cold War has accelerated this trend.

The U.S. and European countries, for example, are donating or leasing capital



Russian-engineered SCUD missile.

ships to a number of countries. The Germans are putting inherited East German equipment on the market. Defense industries in arms supplier countries are concerned that the availability of such excess equipment displaces potential orders for new equipment, or at least depresses prices and decreases the bargaining leverage of sellers.

Finally, partly as a result of Desert Storm, defense establishments increasingly realize that large weapons platforms can be used effectively only if supported by a complex network of surveillance equipment, intelligence integration, logistics networks, and communications, command, and control. Therefore, a growing share of acquisition budgets is likely to be dedicated to such equipment.

Controls Are Difficult To Establish

Obviously, the U.S. would like to limit the ability of aggressive countries to obtain weapons, particularly if U.S. forces might one day have to deal with those countries. This is all the more important in today's world, where the U.S. will increasingly find itself called upon to act as world policeman, or at least referee. But such a policy is easier to enunciate than to carry out in practice.

Clearly, the problem is not simply one of keeping cutting-edge U.S. weapons systems from unpleasant regimes. While being shot at by one's own weapons is politically embarrassing, this has not really been a major problem to date. Given that

the U.S. has been a major supplier of weapons to many countries since the late 1930s, the fact that U.S. forces have rarely faced weapons produced or designed in the U.S. demonstrates that this country has been cautious in supplying such weapons. However, it is not particularly relevant to a U.S. soldier whether the weapons used against him are of U.S. or foreign origin. In recent years, the USS Stark was nearly sunk by a French Exocet missile fired from a Russian MiG; the worst casualties in Desert Storm resulted from a hit on a barracks by a Russian-designed SCUD missile; and the helicopter downed in Somalia was almost certainly hit by a Russian rocket propelled grenade.

However, some academic observers have suggested that the emerging dominance of U.S.-based arms production and technology is so strong that the U.S. government need not worry about conventional arms control efforts. Economic forces alone, according to this school, will cause other producers to drop out, leaving the U.S. in a position to dominate trade in state-of-the-art military equipment, and thus boosting Washington's ability to manage the conventional arms trade.

There are several problems with this theory. First, some arms production capability is beyond the reach of purely market forces, as in the case of Chinese producers. Second, some of the most important items used in modern warfighting systems are dual-use equipments that are widely available through international commercial markets. Third, the danger exists that other governments may perceive such quasi-monopoly power as a threat to their interests and respond in some dangerous fashion—for example, by turning their attention to the development of weapons of mass destruction. Finally, the unfortunate reality is that too many conventional weapons are already available to allow easy management of arms transfers at any time in the foreseeable future.

Attention in the arms transfer debate has generally focused on the transfer of major weapons platforms and the weapons they carry. Aggregate values for weapons agreements or sales, such as those included

in this chapter, are certainly skewed toward such equipment, as such platforms account for the largest dollar figures involved in arms transfers. However, it should be recognized that, at least since the Vietnam War, such large platforms have caused few U.S. casualties.

The most consistent danger to U.S. forces in recent years—particularly during interventions in failed states—has arisen from portable weapons such as automatic rifles, mines, rocket propelled grenades, and shoulder-fired anti-tank and anti-aircraft weapons. For example, the chances of a U.S. soldier being killed by Iraqi tanks, artillery, and missiles during Desert Storm were many times smaller than his chances of being killed in Somalia, where the largest weapons platforms were pickup trucks with recoilless rifles welded onto the bed.

Such weapons are furnished by at least thirty to forty countries. Furthermore, they are handled by many independent arms dealers, and there are enormous stocks of surplus small arms around the world. Consequently, estimates about the production, transfer, and possession of such weapons are usually so much guesswork.

U.S. Security Interests

Keeping Weapons Out of the Wrong Hands

The U.S. wants to keep weapons, and the technology to make them, away from countries that might use them against U.S. forces or in ways that jeopardize regional or global stability.

In his *National Security Strategy of Engagement and Enlargement*, President Clinton makes clear that this objective and the related global military spending issue are paramount:

We will continue to seek greater transparency, responsibility and, where appropriate, restraint in the transfer of conventional weapons....

The main issue for the U.S. is reducing the transfer of conventional weapons, and the technology to make them, to countries that might become international aggressors

in the future. The U.S. also has an interest in preventing regional arms races that could lead to conflict, and could jeopardize the economic growth and political stability of friendly countries.

Encouraging Reliance on U.S. Military Equipment Among Allies

The United States has a strong interest in promoting the transfer of U.S. weapons and technology under certain circumstances. If the U.S. is to minimize its role of world policeman, it is important that friendly countries are able to defend themselves and to deter potential aggressors. Further, the U.S. often wants other countries to act collectively with the U.S. to prevent or turn back aggression, and such collective action is possible only if security partners have adequate military equipment. Further, operations with allies are greatly eased if those allies are using U.S. (or at least interoperable) military equipment.

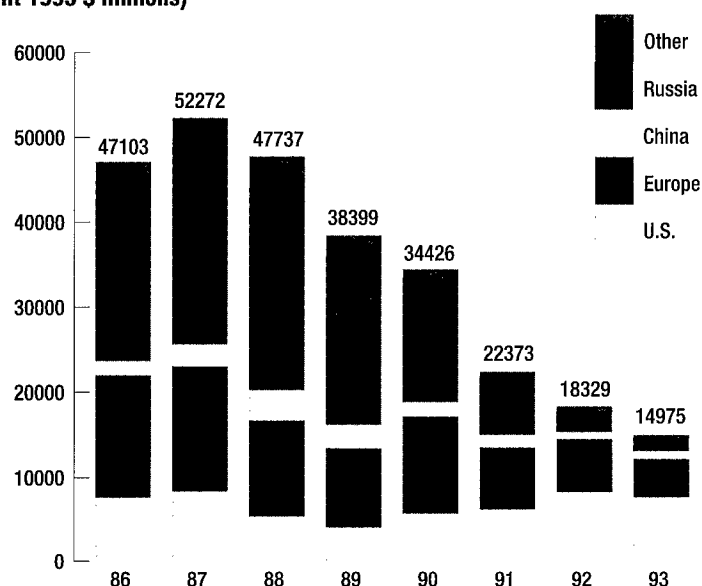
As the defense budgets of the U.S. and many of its allies have shrunk in recent years, the possibility of turning to cooperative design, development, and production of weapons systems has also become more attractive. At a minimum, the rising importance of off-the-shelf technologies and hardware from the commercial sector that can be incorporated into weapons systems guarantees greater internationalization of such systems.

Finally, for the first time in its history, the U.S. finds that many of its defense production lines are dependent on exports. Washington thus has an interest in promoting arms transfers to responsible regimes in order to maintain a healthy defense industrial base at home.

Key U.S. Security Policy Issues

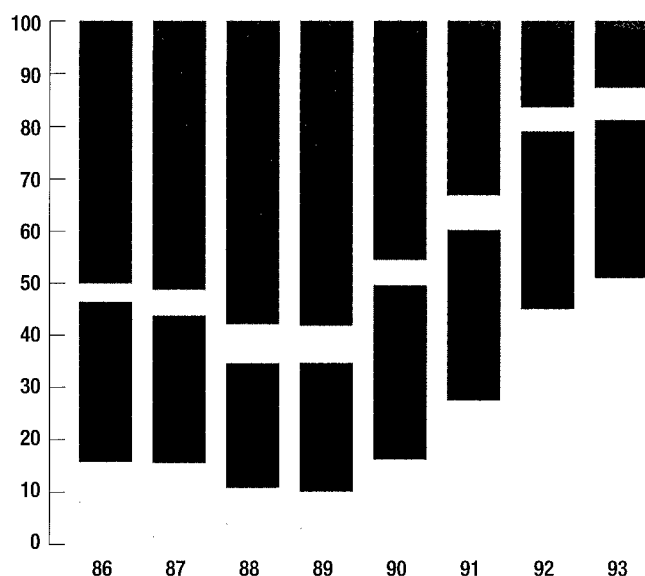
The executive branch has spent two years attempting to formulate a conventional arms transfer policy for the post-Cold War period, and the 104th Congress is likely to attempt a rewrite of the Arms Export Control Act. The most important question for both is how to keep certain weapons from aggressive or irresponsible

Arms Deliveries to the Third World by Supplier, 1986-93 (constant 1993 \$ millions)



SOURCE: Congressional Research Service.

Arms Deliveries to the Third World by Supplier, 1986-93 (percent of value)



SOURCE: Congressional Research Service.

states. At the same time, it is in the U.S. interest to encourage friendly governments to provide for their defense needs by cooperating with Washington in developing new systems or purchasing their equipment from U.S.-based companies.

Pursuing World-wide Control Efforts

Almost all weapons systems and technology are available from non-U.S. sources. Thus, only multilateral efforts to control arms transfers can be effective in the long run.

The first multilateral approach is to increase the transparency of trade in arms so as to bring greater pressure on suppliers and purchasers to limit such trade. The second is to stimulate all significant suppliers of weapons systems to agree on what will and will not be made available to purchasing countries. The third is to encourage regional groups of countries to oppose the introduction of certain classes of weapons into the region.

Increasing transparency. As already noted, only the U.S. makes available large amounts of information about its exports of defense equipment. The U.S. has strongly supported an effort to provide the world more information through a U.N. register of conventional arms. The first edition of the register, covering trade in 1992, was published in late 1993.

However, the U.N. register has some serious limitations. It collects data only on trade in seven weapons categories: battle tanks, armored combat vehicles, large caliber artillery systems, combat aircraft, attack helicopters, missiles and missile launchers, and warships. It does not include data on small arms, transfers of production technology, or domestic production of defense systems.

Thus, this register does not cover many of the weapons often used in civil wars, nor does it provide information on efforts to increase domestic weapons production. And the register lists transfers only after they are completed, when it is too late to affect the event itself. As such, the register reveals little new information, although it may highlight to the international community those countries that are accumulating weapons.

While continuing to work with supplier governments on controlling the transfer and production of weapons platforms, particularly surface-to-surface missiles, Washington may wish to devote additional resources to monitoring trade in portable weapons, and to examining new ways for troops and equipment to defend against such systems.

Supplier agreements. A suppliers' group could cover most major weapons systems. For example, the five permanent members of the U.N. Security Council account for roughly 85 percent of all arms transfers. Alternatively, multilateral efforts can focus on specific classes of weapons systems and their suppliers, as has been attempted with such multilateral approaches as the Coordinating Committee for Multilateral Strategic Export Controls (COCOM), which lapsed in April, 1994.

In addition, there are some specialized international regimes such as the Missile Technology Control Regime (MTCR), and the Australia Group on chemical and biological weapons. These and other specialized arrangements are discussed in the chapter on weapons of mass destruction.

After COCOM. The U.S. has proposed a far-reaching diplomatic strategy to its Western allies to engage Russia and other former Warsaw Pact members in a new global arrangement for controlling transfers of arms and dual-use technologies. Two high-level diplomatic meetings were held in the Hague in November 1993 and March 1994, which endorsed the U.S. initiative and established the political framework for the new regime and a work program for bringing it into place.

Support for the initiative has broadened from the original seventeen COCOM members to twenty-three states, with the participation of neutral European countries and New Zealand. Consultations are underway with Russia, Ukraine, and a number of Eastern European countries about their membership. The *National Security Strategy of Engagement and Enlargement* indicates that a replacement for COCOM remains a high priority objective.

The success of the new regime depends on Russia's participation, and this has indeed been a central focus of President

Clinton's initiative, dating back to his discussions with President Yeltsin at Vancouver about partnership in strategic trade. At the G-7 Summit in Naples, Russia joined the political statement calling attention to Iran's terrorism and President Yeltsin remarked publicly that Russia was attempting to limit trade with terrorist countries.

Problems With Multilateral Arrangements. The biggest obstacle to these efforts has been the differing interests of arms suppliers. First, the U.S. is one of the few global powers that must worry about facing transferred weapons in any part of the globe. Supplier states that are less likely to face such a problem—China, for example—are likely to take a more relaxed view toward arms transfers.

President Bush, in conjunction with the effort to establish a U.N. register of conventional arms, launched an effort in May 1991 to secure agreement among the five permanent members of the U.N. Security Council to limit their weapons sales to the Near East. This negotiation collapsed in late 1992, when China dropped out after the large U.S. aircraft sale to Taiwan. Worldwide interests clearly tend to constrain the actions of the major suppliers, but regional approaches are still on the agenda.

As already noted, defense industries in other countries are generally more dependent on foreign sales, and frequently less competitive than U.S. producers in selling to noncontroversial countries. Hence, there is a greater reluctance by such countries to limit sales. In fact, it is precisely those markets that have been out of bounds to U.S.-based companies which have provided much of the marketplace for other vendors.

Generally, multilateral controls are more likely to be effective if only a modest number of carefully defined products are controlled, and if the countries subject to controls are also limited in number. Furthermore, countries are more likely to participate in supplier control mechanisms if they see benefits, as well as costs, for doing so.

Developing Regional Approaches to Arms Control

Countries with sufficient financial, industrial, and human resources can eventually obtain most weapons systems they

desire, either by purchasing the systems themselves or by obtaining the technology needed to produce such weapons. For this reason, the most effective means of keeping certain weapons out of a region is to convince all the countries in that region to abstain from acquiring such systems. Coercion by the supplier countries has not proved to be very effective.

The *National Security Strategy of Engagement and Enlargement* notes:

The U.S. is prepared to promote, help negotiate, monitor, and participate in regional arms control undertakings compatible with American national security interests. We will generally support such undertakings but will not seek to impose regional arms control accords against the wishes of affected states.

The U.S. might, for example, encourage countries in Latin America and Southeast Asia to reach agreements on prohibiting the importation or production of certain weapons systems such as surface-to-surface missiles, cluster weapons, and certain types of mines.

In order to make such agreements more attractive, countries might be told that foregoing certain destabilizing weapons systems would make the U.S. more amenable to providing other weapons systems that are more defensive in nature and less threatening to regional balance. In Latin America, for example, the U.S. might indicate a willingness to provide, replace, or upgrade fighter aircraft in a fashion designed to maintain, not destabilize, the regional military balance.

Safeguarding Weapons

It may be impossible to stop the spread of some weapons. However, more can probably be done to limit the danger of such weapons falling into the hands of terrorists or unfriendly governments, and to limit the long term damage done by such transfers. For example, the U.S. is pursuing ongoing negotiations to stem the trade in and production of land, sea, and anti-personnel mines, booby traps and similar devices that are not equipped with a self-neutralization device. The U.S. might also consider making such self-neutralization technology available to all producers in exchange for an agreement to incorporate such technology into all mines.

Similarly, the U.S. might work with the producers of portable ground-to-air missiles to design imbedded software or hard wired devices that would render missiles inoperable unless the original producer, or the purchasing government, performed some function on it at regular intervals. This would at least reduce the hazards of such weapons falling into the hands of terrorists. Similar approaches might be examined for other classes of weapons systems.

Dealing With Cooperative Programs

The U.S. government has, over the years, provided considerable rhetorical support for cooperative programs. Financial and program support have generally not matched the rhetoric.

Such programs can be of two types. They can be government-driven, in which case governments collectively identify and administer programs, awarding contracts to participating firms. Or they can be company-driven, in which case firms identify partners for a variety of reasons—technology, risk sharing, financing, or access to markets, for example. The C-130J transport aircraft program, involving a number of British companies, is a good example of this latter type.

The theoretical advantages of cooperative programs are clear. Countries may save money by using technology already available in another country rather than reinventing the wheel. Alternatively, development costs can be held down if two or more countries pay for or participate in the research. Economies of scale can be generated if a common weapons system is produced, rather than each country producing its own system.

The drawbacks associated with cooperative programs are also apparent. Costs for cooperative projects often exceed those for a single national project, although they are usually less than the costs for two separate national projects. Partners must compromise on the performance characteristics of a system. Politics rather than technology and economics can determine work share.

One of the partner governments may change its mind in midstream about some aspect of the project. From an arms transfer perspective, prior agreements may have to be reached on sales to third countries, which can create friction between parties. Licensing of technology may slow the project, and at times cripple it altogether.

Nevertheless, it is likely that companies will seek out more cooperative approaches in the future if they are allowed to do so, both for reasons of obtaining needed technology and as a means of gaining political access to other countries' procurement processes. If U.S. companies are to be successful at this tactic, close cooperation will be needed among companies, the uniformed services, and the arms transfer bureaucracies.

The Executive Branch may wish to review the circumstances under which company-initiated cooperative programs will be supported, and their implications for export licensing policy. Such implications include questions related to national disclosure policy, how to treat proposals for foreign government funding of a new system by U.S. companies, and how to reach advance agreement with foreign partners on third country transfers.

Promoting U.S. Defense Sales

How much government support should be provided for the marketing efforts of defense contractors? This has been a controversial area in both the Executive Branch and the Congress for years. Some argue that any support whets the appetites of would-be purchasers and makes it more difficult to convince other defense producers to pursue responsible defense sales policies. This was essentially the formal position of the Carter Administration, which prohibited government support for defense contractor sales efforts, and erected a number of generic policies which inhibited all arms exports.

Industry, on the other hand, argues that once the executive branch has made a decision that the sale of a defense system to a certain country is consistent with U.S. foreign policy interests, it is inconsistent to treat the ensuing sales effort less favorably than any other major export sales campaign, as is currently the case in some areas

such as export finance and tax incentives for exports.

All other U.S. manufactured products have access to official U.S. export credits or export credit guarantees through the Export Import Bank. Yet that institution is prohibited from providing credits or guarantees for defense items. While military assistance programs were never intended as export promotion devices, there was a time when they did serve the function of providing credits or grants for military purchases to a wide range of countries. Today, for all practical purposes, only Israel and Egypt receive grants for military acquisitions, and only Turkey and Greece receive loans.

Industry and Congress have explored various possibilities to provide some form of export credit guarantee system for defense products. In 1994, a \$1 billion credit guarantee facility to be administered by the Department of Defense was authorized, but the \$25 million subsidy element required for the program was not appropriated. Industry associations are currently examining whether such a facility could be structured so that loan origination fees paid by the buyer and/or vendor could be used for the subsidy element. In such a scheme, Congress would not need to appropriate monies in order for the guarantee program to begin.

Similarly, a tax incentive program known as the Foreign Sales Corporation (FSC), which provides some tax relief for profits related to export sales, provides only half benefits to profits from sales of defense products. Most industrial countries rely much more heavily on a value added tax (VAT) for revenue than on corporate income tax. When products are exported, the VAT is rebated, allowing companies to price lower in international markets (or make higher profits) than in the home market. The FSC is intended to offset that advantage. Defense exporters are at a unique disadvantage relative to all other exporters in using this tax incentive. The administration may wish to review such legal and administrative practices that discriminate against defense exports.

Other financial issues unique to defense exports deserve attention. For example, for both financial and legal reasons, defense firms generally do not own defense equipment. Thus, when equipment is needed for demonstrations to potential foreign customers or for trade shows, such equipment must be obtained from the military. Until recently, the military required commercial lease rates, plus the company had to transport and insure the equipment. The bill to industry can be substantial. Obtaining an F-18 or F-16 aircraft for a demonstration in Finland, or an M1A2 tank for a demonstration in Saudi Arabia, each cost the companies involved roughly \$1 million.

Resolving the Disposition of Excess Equipment

The issue of how to dispose of defense equipment in excess of U.S. service requirements is a complex one. Storing, transporting, converting to civilian purposes, or scrapping military equipment all cost money. Selling such equipment to foreign customers can be an attractive alternative. However, such sales may undercut marketing efforts of U.S. firms, thereby reducing industrial base capacity and increasing unit costs of new equipment purchased by U.S. forces. For example, if excess F-16s are disposed of in a way that substantially reduced or eliminated new F-16 sales, and the line were shut down, the cost of new F-16s would surely increase if and when more were needed, as would the cost of assembling a contractor base for F-22 aircraft production.

Industry and DOD have already held discussions on this subject, and some efforts at coordination are under way. More recently, the Air Force has explored the idea of selling surplus F-16s to foreign customers and using the receipts to finance the purchase of new aircraft for the Air Force. Furthermore, upgrades of the used equipment are often required, most of which would be undertaken by U.S. firms. In a recent campaign to sell new M1A2 tanks to Sweden, the Army agreed to throw in a number of older M1A1 tanks to sweeten the deal. The Germans did something similar and won the contract.

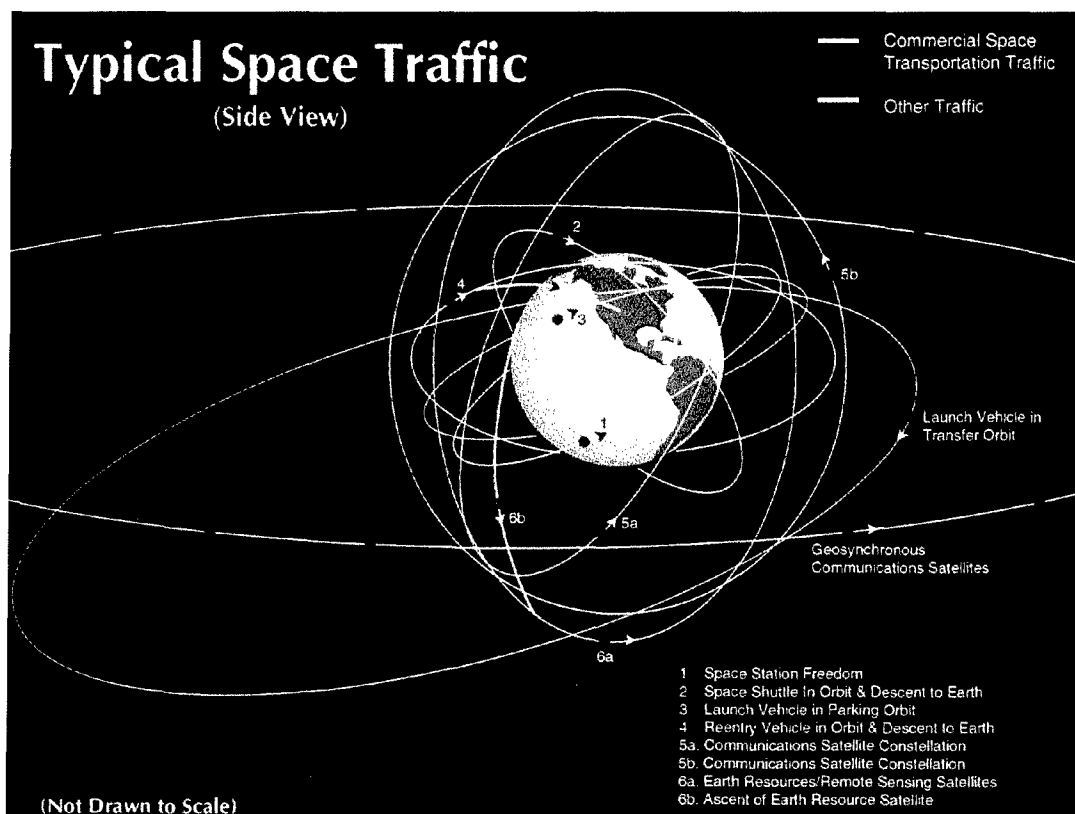
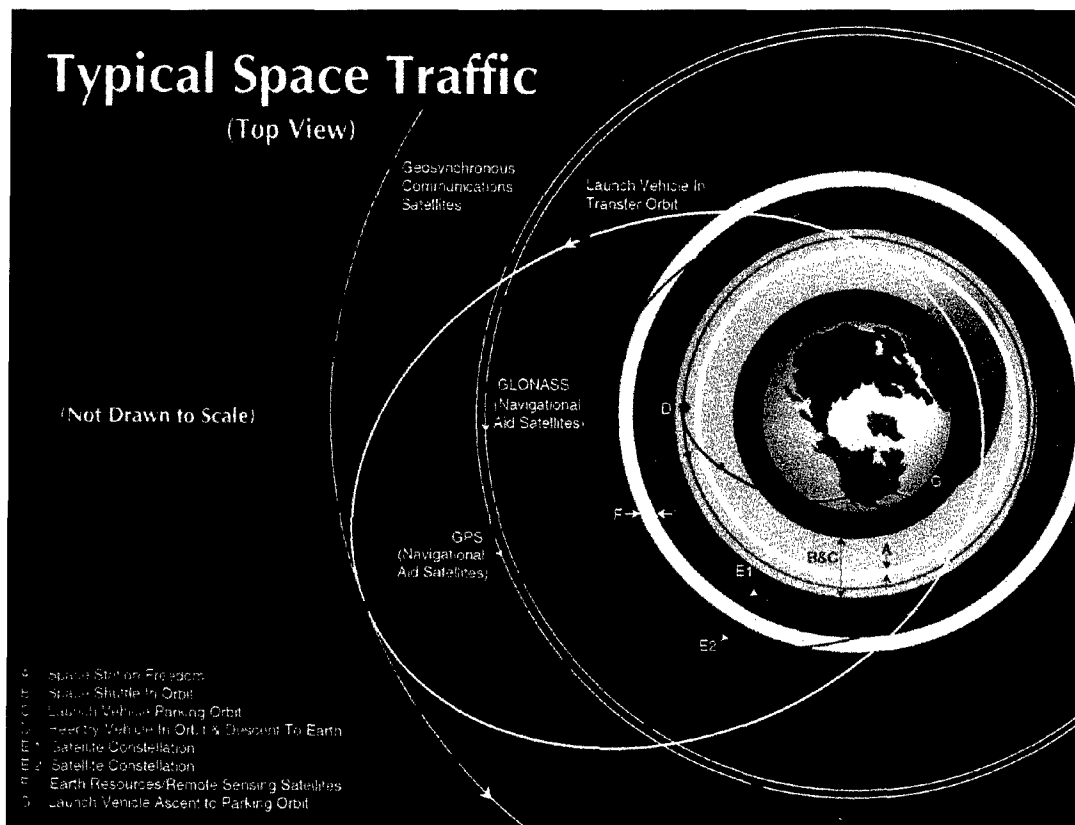
There may be ways to make excess equipment available to foreign customers without undercutting U.S. marketing efforts. DOD may wish to consider a major review of this subject, including the services, procurement agencies, and industry in the process of examining various options to make positive use of excess equipment.

Exploring Organizational Alternatives

During the Cold War, conventional arms transfers were treated as a foreign policy issue and, because of their relatively small size, were generally irrelevant to procurement or industrial base concerns. DOD organization still reflects that period. The Defense Security Assistance Agency and the Defense Technology Security Administration are both administered by the Under Secretary of Defense for Policy, while cooperative programs and industrial base questions fall under the Under Secretary of Defense for Acquisition and Technology. The military services have a similar pattern.

Yet today only two countries receive substantial military assistance. All other countries are paying cash, and many demand technology transfer and licensed production as part of the sale. Equipment sales have an increasing impact on the price and even the availability of equipment for U.S. forces. New programs and upgrades for existing U.S. systems increasingly involve foreign technical or financial participation. Decisions on national disclosure policy, technology transfer, and foreign participation will increasingly have an impact on the viability of defense firms and weapons programs both in the U.S. and overseas.

DOD may wish to review whether the current administrative structure for dealing with conventional arms transfers is appropriate for the post-Cold War period.



Source: Kamen Science Corporation, Printed with permission of U.S. Department of Transportation.

Information Technologies

Information is central to the conduct of both peace and war; spectacular recent advances in how quickly and cheaply it can be generated, transmitted, and processed promise to alter both radically. In one sense, these advances are exogenous phenomena to which all international actors must be prepared to adapt. However, government policy decisions do affect the precise direction in which information technologies advance, the channels through which they are allowed to flow, and the speed at which they spread from the technologically advanced nations to other societies.

Information technology and space are closely linked. Most uses of space are information-oriented: navigation, surveillance, communications, and science. Space is an element of the emerging Global Information Infrastructure (GII) with special relevance for national security; it is a medium through which information crosses national boundaries with or without the consent of sovereign governments. Space has also been accorded its long-awaited due as a force multiplier. The Gulf War has been called the world's first space war for good reason; although the allies surely would have won without their massive dominance of space-based surveillance and com-

munications systems, doing so would have been more difficult and costly.

Information technology and space issues are increasingly finding their way onto the national security agenda. Technologies that were once limited to the rich nations—particularly space technologies—are swiftly becoming available to all who can afford them. From a national security perspective, the most salient trend in the new information environment is that the capabilities that DOD spent billions to build in the 1980s are increasingly available for other nations to buy or rent at a fraction of that cost. DOD is continuing to refine its capabilities, but the difference between U.S. gold-medal technology and the bronze-medal technology of others may be shrinking inexorably. True, the ability of the U.S. military to assimilate and integrate information technologies will not be surpassed anytime soon; but the U.S. defense community may yet be unpleasantly surprised by how well others can adapt such technologies to their particular strategic environments. One of the following conclusions may be drawn from such trends:

- This trend is unacceptable, and the U.S. should do everything in its power to slow the diffusion of dual-use space/information technologies.

- This trend is worrisome, but staying ahead requires U.S. mastery of dual-use technologies; if a vigorous export sector is necessary to maintain such mastery, so be it.
- This trend is beneficial, because information technologies open up authoritarian regimes to Western information flows, thus increasing such nations' interdependence, transparency, and permeability to Western ideals—all of which bolster global security.

Not coincidentally, this trifurcation of attitudes is mirrored in the three interests associated with the issues described below.

Defining Trends

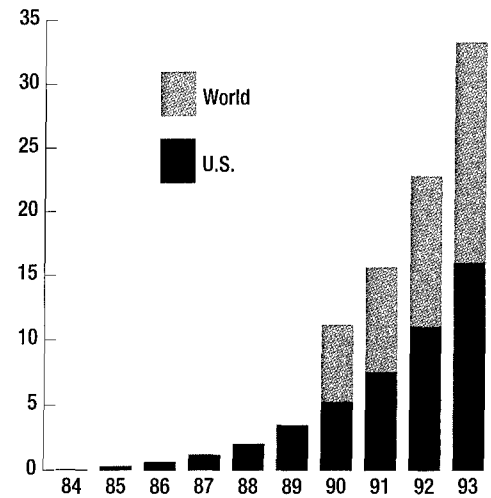
New Communications Architectures Are Spreading

The cornerstone of the GII is the world's interconnected telephone system. In rich nations, phones can be found in almost every home and office. In poorer nations, phone ownership is rising fast, thanks in part to large infrastructure projects, such as those underway in Central and Eastern Europe, Russia, China, India, Indonesia, the Arabian Peninsula, and Mexico. Although the world phone system is still largely analog, it supports not only voice transmissions, but increasingly fax transmissions, data transfers, and—indirectly—corporate, military, and other global networks. Such services are rapidly growing in importance; for example, voice transmissions now make up less than half of all trans-Pacific traffic.

Broadcasting, which comprises the balance of the GII, is internationalizing much more slowly, and in its traditional forms continues to be predominantly an intra-country affair, except for stations located near national borders and a smattering of political and pirate stations.

Although today's architectures will continue to play a predominant role for some time, new architectures are spreading rapidly. The world's phone and broadcasting systems are becoming digital, possibly convergent (for example, phone service over cable), and unquestionably richer with new services. Digitization makes information more fungible and manipulable; data reduced to bits and bytes can be more easily acquired, indexed, referenced, and transformed within and among sources. As

Cellular Telephone Subscribers (in millions)



SOURCE: Department of Commerce and Cellular Telecommunications Industry Association

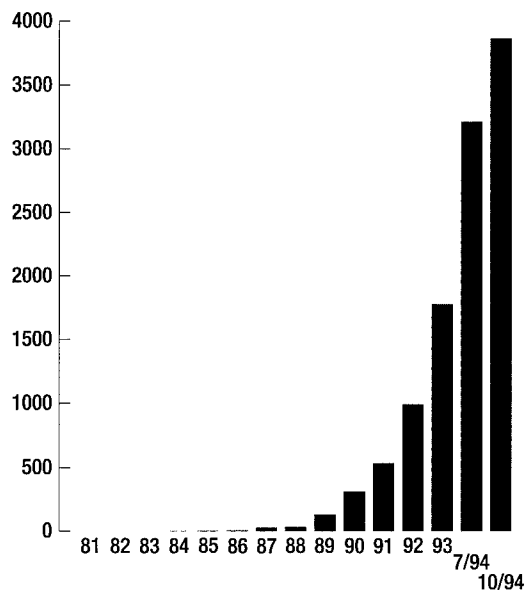
NOTE: No data available on foreign subscribers before 1990.

for new services, three merit description because they cross national boundaries: direct-broadcast satellite (DBS), global cellular, and the Internet.

- DBS already serves European, Japanese, and other Asian audiences; witness, for example, Rupert Murdoch's StarTV. True U.S. service started in late 1994. Hitherto, DBS has been held back by the limited number of channels available and the large size and cost of the dishes required for reception. Refinements in signals compression have multiplied the number of channels available from each transponder by roughly six; spot-focussing and other satellite technologies allow the next generation of DBS dishes to be just eighteen inches across, and to cost just seven hundred dollars (in the U.S.).

- Global cellular communications, supported by large constellations of satellites, will offer services not only to remote locations, but also under circumstances not dictated by local phone systems. Among the candidate systems are Motorola's 66-satellite Iridium constellation, Loral's 48-satellite Globalstar, the Inmarsat-P constellation (20 to 36 satellites), plus others proposed but further from being financed. Supplemental

Number of Internet Hosts, 1981-94 (in thousands)



SOURCE: Mark Lottor, Internet Domain Survey.

data-only services are being developed by systems such as the 36-satellite Orbcomm constellation. Satellites are already being employed for truck fleet location, and for maritime communications.

● The Internet is a quarter-century old, but it has only recently been made generally accessible. Rapid growth overseas, coupled with the systems's ability to handle large data flows, portends greater access to Western data by countries otherwise poorly served by scientific and technical facilities. Owing to the chaotic nature of the Internet, it may well become a conduit for sensitive data flows—such as

software imports and exports—beyond the reach of sovereign authorities.

Codebreakers Are Having Difficulty Keeping Up With Codemakers

One area of historic U.S. superiority is signals intelligence—the ability to extract information from an opponent's radioelectric signals. This superiority is based on the quantity, strength, and placement of U.S. listening devices, plus the computational power behind U.S. codebreaking efforts. Allied code-breaking skills may well have decided Midway and D-Day, the key battles of World War II's Pacific and Atlantic campaigns, respectively.

Historically, the contest between code-makers and codebreakers has alternately favored first one side then the other. In the last decade, this contest has broken in favor of codemakers. Signals, for example, are becoming harder to pick up thanks to digital technology, frequency-hopping and spread-spectrum technologies, plus the replacement of microwave with optical fiber for long-distance communications.

New technologies will also confound those who can manage to catch such signals. Common techniques, such as the

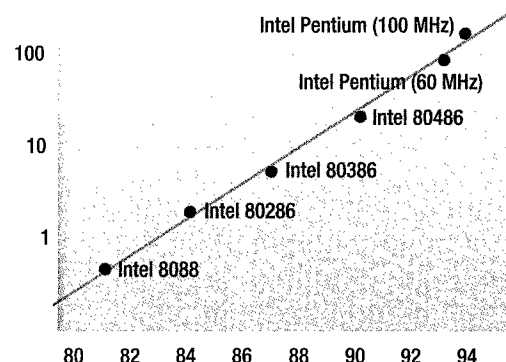
triple-DES (data encryption standard), can produce unbreakable codes, but require covert ways of passing keys around. A newer technology, PKE (public-key encryption), keeps information secure even if locking keys are passed around in public, since unlocking keys are private. True, codebreaking mainframes and supercomputers are getting better every year, but codemaking computers—including PCs and workstations—are improving even faster, enabling the creation of ever longer and thus more secure keys with the same amount of effort. Thus, codebreaking is getting harder all the time.

U.S. Superiority in Navigation Communications Remains, But May Diminish

U.S. superiority in navigation arose in large part from a \$10 billion investment in the global positioning system (GPS). GPS offers two services, one for civilian use (originally accurate to 54 meters; since selective availability went into effect—a deliberate decision intended to give U.S. forces a larger edge—accurate to 100 meters), and the other for military users (accurate to 18 meters). The latter enabled U.S. forces to operate effectively in Iraqi desert that was previously considered virtually untrackable. GPS receivers, initially costing a few thousand dollars, can now be bought

Speed of Primary Personal Computer Chips

(in million instructions per second)



SOURCE: Intel.

NOTE: Date is when introduced in PCs.

for a few hundred. Over the next three to five years, receivers are likely to become faster, cheaper, smaller, and capable of taking data from several systems simultaneously. They already have been integrated into the world's maritime, air, and ground transportation infrastructure. The computerized in-vehicle mapping systems that may soon be available in automobiles are but one innovative new application.

Differential GPS (DGPS) developed by the Federal Aviation Administration (FAA) permits measurements accurate to within two meters or less. Russia's Glonass system, due for completion in late 1995, will provide an alternative or complement to GPS; receivers capable of picking up six GPS plus six Glonass satellites have already been introduced. Still more signals capability will become a feature of proposed future constellations of low-earth orbit communications satellites.

For the time being, few if any potential U.S. military opponents have the ability to destroy GPS satellites. At the same time, commercial signals are easier to jam than are military signals available only to U.S. and other friendly forces. This is due to anti-jam protection in the signal itself (e.g. encoding) as well as in the receivers used (e.g. directional antennas).

The U.S. Lead in Space-Based Surveillance is Eroding

Similar, if less extensive levelling, is taking place in space-based surveillance, for many reasons:

- With the Cold War's end, the U.S. is somewhat more willing to show allies, for example, the Israelis, its imagery.
- The resolution of commercial imagery is continuing to improve (see chart). Landsat 7 is scheduled to triple the resolution of the ill-fated Landsat 6, which itself represented a doubling of the resolution of Landsat 5 from 30 to 15 meters, (panchromatic). France's Spot 5, due for launch in the late 1990s, will also feature 5 meter resolution, down from 10 meters.
- Russian imagery, some of which can resolve details down to 2 meters, is coming onto the market; however, its images are historical rather than near real-time.
- Several nations are hoping to join the U.S., Russia, France, and China in owning their own surveillance satellites. Israel, Japan, and India are three recent examples. Taiwan and

both Koreas are also contemplating systems. French-built satellites are improving: its military Helios satellite, slated for 1995 launch, boasts 1 meter resolution capability.

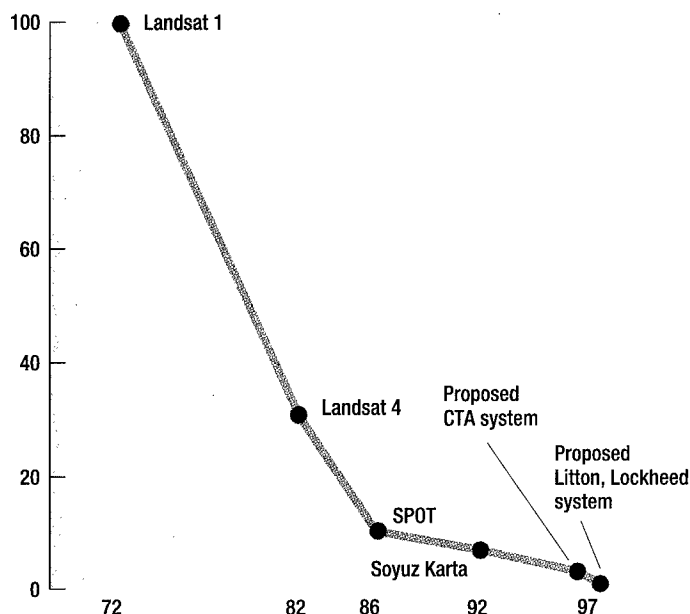
- Concerns over global warming and other large-scale environmental phenomena are prompting a slew of environmental monitoring satellites. Although most feature broad coverage and very low resolution, others—such as the Japan Earth Resources Satellite (JERS) and Europe's Earth Remote Sensing (ERS)—offer militarily useful 20 meter resolution via synthetic aperture radar. Canada's forthcoming Radarsat goes down to 10 meters.
- Finally, within the last few years, several U.S. companies have requested permission to launch surveillance satellites capable of 3-meter and even 1-meter resolution; overseas competitors from France and Russia are unlikely to allow U.S. companies the market to themselves.

Technologies driving progress in space-based surveillance include electro-optics similar to those found in camcorders, and software that can sharpen fuzzy pictures and compress imagery. Recent launches by the Ballistic Missile Defense Office (BMDO) of Clementine and Multiple Sensor Technology Integration (MSTI) have shown that light, medium-resolution (5–30 meter), multi-spectral satellites can be launched in less than eighteen months for under \$80 million.

Combining space-based imagery and GPS makes precision strikes easier and less expensive than would be the case with other technologies, such as the digital scene recognition that is employed by the U.S. in cruise missiles. While such technologies do not offer a perfect substitute for the complicated guidance systems used in U.S. precision guided munitions, the diffusion of access to such technologies does put U.S. fixed assets at increased risk. To be safe from such threats and to recover the secrecy it enjoyed during the Gulf War, the U.S. would somehow have to prevent all third-party imaging satellite data from getting to anyone unofficial; once such data leaves secure hands, the U.S. military might as well assume that an enemy can get it.

The number of nations capable of launching significant payloads into space has also increased. Ten years ago, only the

Civilian Satellite Ground Resolution (Resolution in meters)



SOURCE: Office of Technology Assessment

U.S., the Soviet Union, and France could put a communications satellite into geosynchronous orbit. In the mid 1980s, China joined the club. In 1993, Japan followed, and India is only a few years behind. Many more nations—Israel, Brazil, South Africa, Korea—could loft medium-sized, several hundred-pound payloads into low-earth orbit within five years, if they chose to do so.

U.S. Security Interests

Inhibiting Proliferation of Militarily Relevant Technologies

The U.S. security interest in slowing the spread of advanced information technologies is straightforward. Precise navigation and imagery in the wrong hands can imperil U.S. forces. Space-based communications reduces the U.S. advantage in military command-and-control. Cryptographic capabilities could permit terrorists to plan havoc undetected. Space launch capabilities can lead to ballistic missile proliferation that destabilizes regions. And so on.

If it were possible to deny such technologies to potential adversaries only, such

policies would find universal approval in this country. In practice, this is rarely possible. Further, such technologies—unlike, say, the technologies of nuclear weapons production—have many legitimate civilian applications. As a result, tradeoffs must be made, and tricky questions must be answered. Can judicious release of some services such as satellite imagery dissuade other nations from developing the technologies that make such services possible? Would restricting the exports of one product (say, satellites) in order to inhibit vendors of another (rockets) in fact encourage the proliferation of both? Should the U.S. attempt to control the export of technologies for which foreign substitutes might be readily available? What are the possible economic costs to U.S. firms associated with over-regulating such exports? Finally, why must the export of dual-use technologies carry an implied moral onus, when such technologies have many innocent, even beneficial uses?

Maintaining the U.S. Lead in Core Technology Competencies

If U.S. firms cannot export certain technologies freely, they may be deemed unreliable by potential customers, who will turn to others. Lost sales mean lost resources for product R&D, with the attendant risk of falling behind in technology. Many analysts are coming to the conclusion that dual-use, high technology exports are crucial to U.S. economic health in an increasingly competitive world economy. Therefore, many dual-use technologies (GPS, space imagery, cryptography) cannot be denied to overseas customers without undermining economic growth and the U.S. technological lead—the bedrock of U.S. national security.

Promoting the Global Information Infrastructure

The elimination of political and technological impediments to the free exchange of information is likely to hasten the international dissemination of U.S. political and economic values, and therefore

to enhance U.S. national security. The growth of the GII and the diffusion of dual-use information technologies does foster such a world—despite the security concerns raised by the latter.

Key U.S. Security Policy Issues

Controlling the Spread of Surveillance Satellites

How far will U.S. producers be allowed to go in offering satellites or imagery with one-meter resolution? From the defense perspective, it would be best if such capabilities were unavailable outside the U.S. The next best outcomes, in descending order of preference are:

- Sales of individual images from satellites owned and operated by U.S. firms.
- Sales of real-time bit streams—increased timeliness means greater military applicability—from such satellites.
- Satellites owned by third parties (who could, unless otherwise limited, sell to whomever they chose), but operated by U.S. firms.
- Satellites owned and operated by third parties that rely on support from U.S. firms.
- Satellites owned and operated autonomously by third parties.

The Commerce Department has licensed four U.S. groups to sell surveillance bitstreams. The first, Worldview, offers three meter resolution. The other three groups—led by Lockheed, Litton, and Ball, respectively—offer one-meter resolution. The licenses permit the U.S. government to prevent the capture and transmission of data in emergencies. Although financing remains an issue for each group, Lockheed's consortium is set to receive majority funding from Arabian sources.

U.S. policy on surveillance satellites is not made in a strategic vacuum. French officials recognize that one-meter imagery could not only imperil French forces, but also threaten the commercial viability of their Spot satellite, which they were allowed to offer only over the initial objections of the French Defense Ministry. Although French government sources have reiterated their opposition to the sale of imagery finer than the five meters that Spot 5 could offer, Matra, which builds France's surveillance

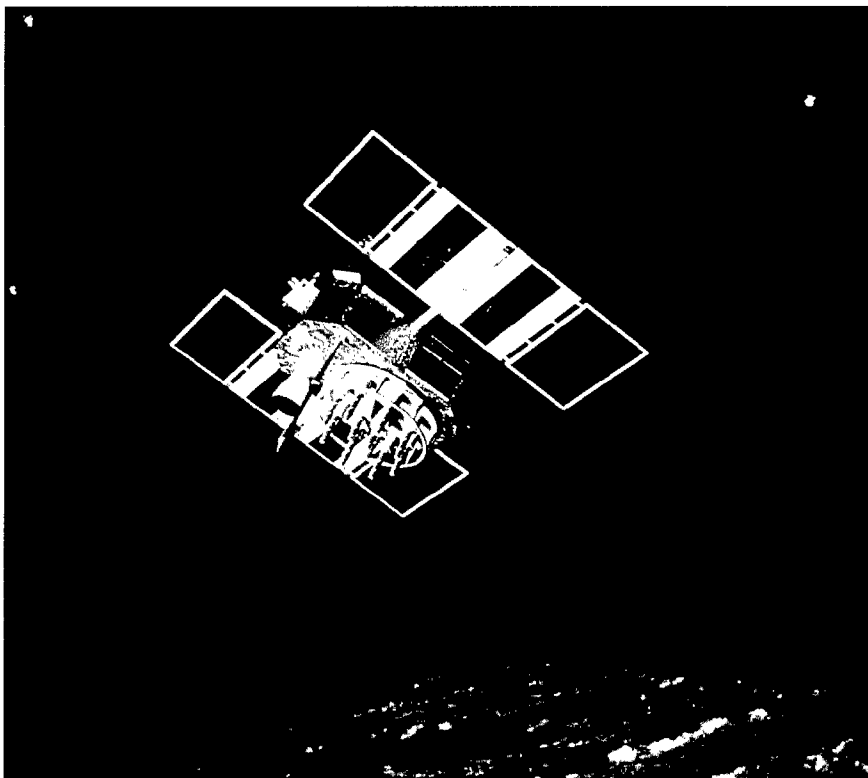
satellites, has publicly mulled selling one-meter imagery on the commercial market in competition with U.S. providers. Russia's reaction is more difficult to assess. Moscow dislikes proliferation, but reportedly the same country whose inquiry prompted Lockheed to ponder selling one-meter satellites has turned to pursue a better deal (.8 meter resolution) with Russian sources.

How long and at what cost could U.S. policy inhibit the flow of surveillance information? Many sensors ostensibly built for environmental monitoring have military uses. Surveillance satellites are becoming more accurate, easier to control, cheaper, and more available. Would foreign access to U.S. image streams inhibit other countries from launching their own satellites? It appears probable that military-relevant satellite imagery will become increasingly available; U.S. forces will have to learn to operate in an environment where they do not have a monopoly on such capabilities.

Managing Global Navigation Systems

As commercial users come to constitute the bulk of the GPS system's beneficiaries, many have expressed nervousness about relying on a DOD-controlled system. Might such worries inhibit beneficial investments that take advantage of GPS in areas such as transportation safety? In December 1993, a joint DOD/Department of Transportation (DOT) task force dealt with two key issues: who would manage and fund the system, and how the needs of civilian users would be met.

The task force recommended that management—as opposed to operational control—of the GPS be shifted to a joint DOD/DOT executive board that would resolve issues that normal interagency coordination could not. DOD agreed to pay for the normal cost of operating and maintaining the system (roughly \$400 million a year, mostly for replacing satellites ending their useful life). DOT would pay for augmentations to the system to support civil navigation needs (such as differential GPS beacons).



Navstar Global Positioning System
(GPS) satellite.

The accuracy issue was thornier. Although 100 meter resolution suffices for some purposes, such as preventing airliners from drifting into hostile airspace, it cannot support close operations such as guiding aircraft into runways, governing port traffic, or intelligent vehicle/highway system applications, which require DGPS. The outcome permitted the Coast Guard to install local correction services that will cover coastal and inland waterways, while the FAA will install similar services for airport use. The issue of global correction services remained unresolved.

In early 1994, the FAA announced that it would replace most current microwave landing systems with DGPS systems. Will other nations follow? If so, they would have to overcome misgivings about dependence on a system run by the U.S. government, which retains the right to degrade even civilian signals in emergency. If not, however, they face the considerable cost of maintaining their own systems, and international aircraft would have to maintain two systems: one for domestic use, the other for use overseas.

In common with other areas in this section, trends point to the eventual diffusion of the technologies in question. As other navigation systems emerge, GPS will lose its exclusive place, and U.S. policy will have decreasing relevance over navigation systems investments. Controls can slow down proliferation, but they cannot reverse deep-seated trends.

Collecting Signals Intelligence

Issues here concern the fall-out from the possible widespread deployment of PKE technologies.

Encryption: Encryption helps to preserve vital national secrets, limit attacks on the nation's information infrastructure, and eliminate security and authentication obstacles to electronic commerce. In the wrong hands, however, it can be used to plan or cover up domestic crimes or overseas military operations. The Federal Bureau of Investigation and the National Security Agency seek to preserve their ability to intercept and decode domestic and international communications, and thus would like to inhibit the use of PKE to generate unbreakable codes—stopping it altogether may be technically impossible and may raise constitutional issues. Yet neither wishes to impede government use of such technologies.

Their solution is embodied in silicon as the Clipper chip, an encryption device attached to telephones. Each chip carries a law enforcement access field; this information is divided into two parts, each part escrowed by a separate federal agency. Upon court order, the pair could be recombined, thus enabling government decryption. If established as a standard, the Clipper chip would let government users encrypt and decrypt at reasonable cost, without worrying about interoperability. Moreover, if the Clipper chip sells well, its cost will drop, making it the most cost-effective route to encryption in the private market as well—albeit one with a legal back door.

The Clipper proposal has been controversial. Escrow arrangements have failed to win complete public confidence; fears of "Big Brother" dominate the media debate on this issue. DES, the previous encryption standard, was extended for five

years, but its fixed key-length means that it can eventually be broken, and thus is not a reliable guarantor of private encryption in the long run.

Will the Clipper policy work? Government sales may permit sought-after economies of scale for the Clipper chip, but the ferocity of private opposition dims the prospects of the Clipper chip coming into widespread commercial use. Foreign governments may likewise shun an encryption technology for which the U.S. government retains a key. Even so, any data communications technology needs standards to ensure interoperability; two users with different encryption methods cannot talk to each other. With the adoption of the Clipper chip, government users have a standard but commercial users do not, thus potentially slowing the development of universally acceptable, interoperable encryption methods. Whether such a delay is good or bad depends on whether the virtues of commercial encryption outweigh the possibility of the diversion of such capabilities into the wrong hands.

Export Controls: Similar controversy surrounds export controls on encryption software. Legally exportable software with 40-bit keys is 16,000 times less capable than what is sold at home, where the legal limit is 56 bits. Vendors argue that such controls hurt the competitiveness of U.S. software (or forces the quality of domestic software down to the legal limit on exported software), a protest that has stirred Congressional calls for relaxing export restrictions.

Few doubt that the U.S. in general, and the NSA in particular, retain a marked edge in information security technologies, particularly in codebreaking. However, the rest of the world is catching up fast and, particularly through the Internet, has been able to access codemaking technologies—such as Pretty Good Privacy (PGP)—as good as if not better than what is available here. (All but the most recent versions of PGP violate U.S. but not overseas patents.) Forcing the global electronic network to take detours around U.S. export prohibitions may not necessarily be in the larger interests of the United States.

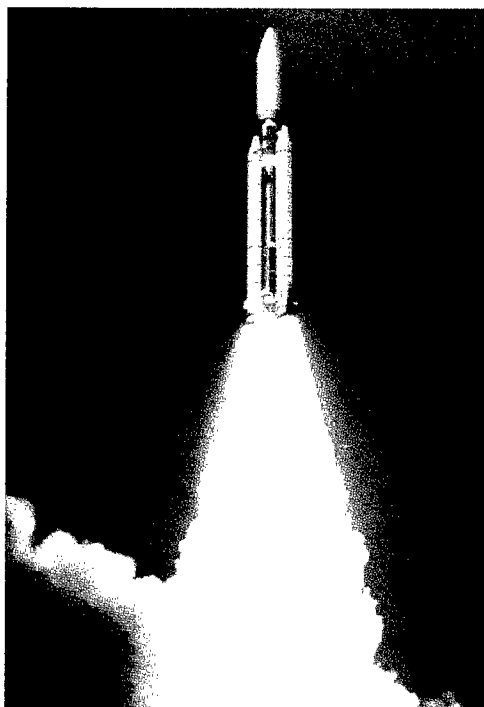
Preserving U.S. Commercial Space Launch Capabilities

The history of commercial space launch is a story of continually increasing competition. Although the first technological rival to the United States, the Soviet Union, was not initially active as a commercial vendor, the U.S. monopoly on commercial launch services was breached by France in the early 1980s, China in the late 1980s, Russia after the Cold War ended, and, within a few years, perhaps also by Japan and India. Only a third of the global commercial launch market is now held by U.S. firms.

The U.S. has, however, taken advantage of the fact that it supplies over two-thirds of all commercial payloads—essentially communications satellites—to persuade China and Russia to restrict their launch rates and limit their price discounts. China agreed to sell launch services only at market prices, and Russia's Proton-based launches go for 92.5 percent of market price. The success of such agreements is open to question. Reports have surfaced of unofficial 30 percent discounts on Chinese launches. In August 1993, the launch picture was further complicated when the U.S. slapped a two-year moratorium on export of U.S. payloads to Chinese launch sites in retaliation for Chinese sales of prohibited military material to Pakistan, (although two satellites were released to export in early 1994). Attempts to renegotiate further restrictions may be politically complicated by the large number of joint ventures being put together between U.S. and foreign companies, such as the recent pact among Boeing, Russia, and Ukraine to use Zenit rockets.

The U.S. has also taken steps to inhibit Russia's sale of rocket equipment to India. As a result of U.S. pressure, Russia agreed to sell only finished cryogenic engines to India's space program, rather than the technology itself. Without Russian help, India is considered unlikely to produce such engines indigenously until after the year 2000.

Although the management of U.S. space facilities could be altered to better serve U.S. launchers, otherwise how strenuously should U.S. trade policy serve to



Titan IV launch.

Source: Martin Marietta Corp.

bolster the market share of domestic firms? The consistent reliability of the French Ariane, the low wages earned by Russian and Chinese rocket workers, the subsidized determination of Japan to become a commercial launch player, the prospect of India's entry, and the large stocks of military rockets facing conversion, all dim the prospects for U.S. producers of launchers. The idea of using export controls over satellite payloads to stabilize markets for launchers may be counterproductive in the long run by casting doubt on the reliability of U.S. suppliers of satellites. True, U.S. satellite makers have kept European competitors locked in a small

niche, and serious competition from Japan has yet to emerge. Nevertheless, the situation is subject to change; for example, at least two studies predict Japan may emerge as a competitive supplier of satellites by the year 2000.

Can the U.S. launch industry be saved by radical technological changes in rockets or satellites? If technology comes to favor small satellites for some missions—as may be the case for land-mobile communications and surveillance—then small, quick-turn-around launch vehicles may be preferred over large ones. U.S. companies such as Orbital Sciences Corporation, CTA, and Lockheed have a comparative advantage in the technology of small vehicles, despite competition from Russia's SS-25 and Israel's Shavit. Alternatively, the development of a completely reusable launch vehicle could, according to its proponents, reduce the cost per unit mass of lofting a payload into orbit by as much as a factor of ten. This, too, is likely to favor U.S. suppliers.

Coping With the National Security Dimensions of Civilian Communications Satellites

Direct Broadcast Satellite: As is the case with global cellular telephony, DBS

raises potential national security issues because it challenges state sovereignty over communications by bypassing national communications monopolies. Affected nations may respond aggressively, and perhaps pursue policies hostile to the world's lines of communications.

The advent of DBS, notably AsiaSat (with one footprint over China and the other over South/Southeast Asia), portends the proliferation of media whose content cannot easily be regulated by national authorities. How have states in fact reacted? Some, including Persian Gulf states, China, and Singapore, have banned private satellite dishes outright, forcing broadcasts to be channelled through a local cable provider, and thus subjecting them to government control. In China, particularly in the south, the ban is routinely flouted. Malaysia and Thailand, on the other hand, seek to launch their own DBS systems, hoping that few consumers will opt to pay extra for access to unrestricted systems if they can get most of what they want from sanctioned ones.

DBS broadcasters are, of course, not immune to pressure from national governments. StarTV (which uses AsiaSat), for instance, dropped BBC service from its northern footprint over China. Although the owners deny it, pressure from the Chinese government may have been a factor contributing to this decision. Even Canada has pressed for more Canadian content in transmissions from Hughes's new DBS, by threatening to restrict access to cable for stations that transmit via DBS. Intelsat's plans for DBS service to Latin America were deferred, in part due to concerns over the impact of such service on the cultures of targeted countries. If national governments or political groups see DBS as spreading unwanted social, cultural, or political messages to their population, it may increase their hostility toward the West.

How long can governments control access to DBS? Tomorrow's antennas can increasingly be blended into walls and other background, thus frustrating bans on their possession. Electronic focussing can frustrate terrestrial jamming. Video compression, which multiplies the number of channels that any satellite can host, enhances

the economics of narrowcasting. A billion-dollar investment can yield well over a hundred digital stations, which in turn could be profitably leased for perhaps \$2 million a year. At that price, any of several aggrieved national or political groups—Kurds, radical Shiites, Sikhs, Burmese mountain tribes—could afford to broadcast propaganda twenty-four hours a day to wide swaths of territory.

Allocating the Spectrum for Commercial Satellite Services: If spectrum is not allocated in an orderly fashion, signals would interfere with each other, and radio-based services would be impossible.

For geosynchronous satellite systems, orbital space must be allocated at the global level, and methods have already been worked out to resolve disputes. An international organization, the ITU, assigns satellites to orbital slots that are separated by one-and-a-half degrees, thus allowing 240 distinct geostationary slots for satellites of a given type, which are accessed by directional antennas. For the most part, controversies are avoided although a few rogue cases persist. For instance, Tonga, a small Pacific island, has tried to reserve far more orbital slots than it needs, and is working a thriving business in the resale market. More seriously, China has maneuvered a satellite into a space where it could interfere with some Japanese transmissions; a similar dispute between Tonga and Indonesia was resolved in late 1993.

Global cellular communications satellites, on the other hand, move across the earth, with the result that the total spectrum itself must be allocated. Despite the existence of an international conference—the World Administrative Radio Conference (WARC)—that metes out broad spectral bands for various uses, the allocation of spectrum to competing satellites has been left for countries to negotiate. This presents few problems if all vendors aspiring to provide global cellular services come from the same country, as is now the case for the two most likely vendors: Motorola's Iridium and Loral's Globalstar are both of U.S. origin. However, once another country—such as France or Russia—sponsors a system, controversy can start.

In response, aspiring vendors have been making deals with various countries for permission to broadcast within their borders. But when countries are close together, it is impossible to service one without draping signals into another. The European Union, which does not have an aspiring global cellular vendor of its own, has nevertheless been hinting that it objects to systems such as Iridium. If other nations follow, equipment usable in the United States could be prohibited overseas, and the prospects for *any* global cellular system would be substantially reduced. European objections may reflect a zero-sum mentality concerning economic opportunities, rather than spectrum allocation *per se*: with each U.S. system up, the prospects for the future European systems are reduced.

Military Use of Commercial Satellites: With declining defense budgets, and spare commercial transponders available, the logic of putting more U.S. military traffic on commercial satellites is becoming compelling. U.S. commanders already concede that they cannot run operations in remote areas in the absence of commercial satellite transmission capability. The Navy is mulling the use of commercial DBS for broadcasting non-critical information to ships. NATO has reportedly decided to get out of the business of owning satellites, of which it has two at the moment. However, commercial satellites are not inherently secure, even though source-level encryption can reduce the threat of hostile interception. More important, commercial satellites have little protection against jamming and destruction; this has kept DOD's Milstar program going despite its high cost.

A more serious long-term problem may arise should it become necessary to target satellites used by hostile forces. Knowing U.S. military traffic is being carried by commercial satellites, the best way for a hostile force to preserve its own transmission capacity would be to lease a transponder on the same craft. With encryption ubiquitous, it may be difficult to ascertain that any one transponder was being used for hostile purposes.



Satellite communications dish in Somalia.

Improving Communications Interoperability in Multinational Coalitions

The growing tendency for U.S. forces to engage in multi-national coalitions, coupled with the transition to computer-based information systems, suggests that the ability to transmit information among dissimilar systems will be a growing concern in such missions. This leads to a series of issues at the tactical, security, and global level.

Tactical intelligence coordination has always been a problem in coalition organizations. The primary barrier remains translating languages. Today's coalitions have developed very structured ways of handling official messages, such as liaison officers. The transition from human language to systems translations will make some tasks easier, and others harder. On the one hand, English has become the lingua franca of the computer world, permitting at least informal communications among systems operators; progress on automatic language translation is also proceeding apace, although only the major languages are being studied in this capacity. On the other hand, computers are more finicky than people. To get two systems to interact requires common protocols at all levels from radio-electronic, to bit-sequencing,

packetizing, and encoding, to message formatting, to data-base definitions. For example, the ability of new sensors to see the battlefield in novel ways may be outstripping the ability to communicate these visions in standardized formats.

Establishing system-to-system links can force communications systems with good security to share secrets with less secure systems. It also reveals what command-and-control systems and their associated sensors are capable of—which, in turn, suggests the strategic imperatives and assumptions that went into their design. Such information may be comfortably shared with established allies, but some members of today's *ad hoc* coalitions may be tomorrow's opponents. Hence, the case-by-case need to weigh operational efficiency against security arises.

If there is going to be a GII, the various national communications structures must find ways of passing information back and forth. Although international organizations are busy developing standards, too often the world bifurcates between the U.S. way of doing things and the international way of doing things. Does this mean that the U.S. is out of step with the world, or possibly that—given that U.S. companies sell twice as much software as the rest of the world combined—the world is out of step with the U.S.? The Clinton administration has put harmonization of the world's telecommunications infrastructure high on its agenda, as evidenced by the February 1995 conference of G7 nations on this topic. Whether other nations view such efforts as the high road of promoting global communications or the low road of pushing U.S. exports remains to be seen.

Maintaining Information Dominance Over the Longer Run

DOD's 1994 Annual Report holds that "the exploitation and control of space will enable U.S. forces to establish information dominance over an area of operations . . . the key to achieving success in future crises or conflicts." All agree that the U.S. will enjoy considerable information superiority over any potential foe even five years hence—but how well will this superiority translate into

dominance on the ground? How well will it hold up beyond the short term?

Events of the last five years suggest that the rest of the world has come to appreciate the importance of space and information, and many nations are striving to improve their capabilities in these media. In the interim, a combination of easy access to data from U.S.-operated systems—surveillance, navigation, meteorology, and early warning—coupled with a stand-by ability to deny such flows in an emergency, may forestall the proliferation of uncontrolled systems.

However, to the extent that others can piggy-back on commercial, third-party, or even U.S. military capabilities, the U.S. may be limited in its ability to deny others access to such assets. So armed, others may be able to do considerable damage to U.S. interests, even if they cannot prevail in a conventional military sense. If the United States cannot ultimately prevent the diffusion and use of such assets, the U.S. military will have to learn to operate in a transparent environment that it could hitherto impose upon others, but could avoid for itself.

Peace Operations

In an environment in which the demand for peace operations has dramatically increased, a principal issue is to how to make use of international organizations for crisis prevention and crisis resolution. Another challenge is to determine where and when the U.S. should become involved in peace operations—recognizing that, in some instances, such operations will require putting U.S. forces in harm's way.

Peace operations embrace a wide range of activities, purposes, and goals. Within the U.N., the following terminology has been adopted:

- Peacemaking generally means using mediation, conciliation, arbitration, or diplomatic initiatives to resolve a conflict.
- Peacekeeping traditionally involves using military personnel under restricted rules of engagement as monitors once a cease-fire has been negotiated.
- Peace-enforcing refers to using military force to complete a cessation of hostilities or to terminate acts of aggression.
- Peace-building involves rebuilding institutions and infrastructure within a country to create conditions conducive to peace.
- Protective engagement means using essentially defensive military measures to provide safe havens or a secure environment for humanitarian operations.

Defining Trends

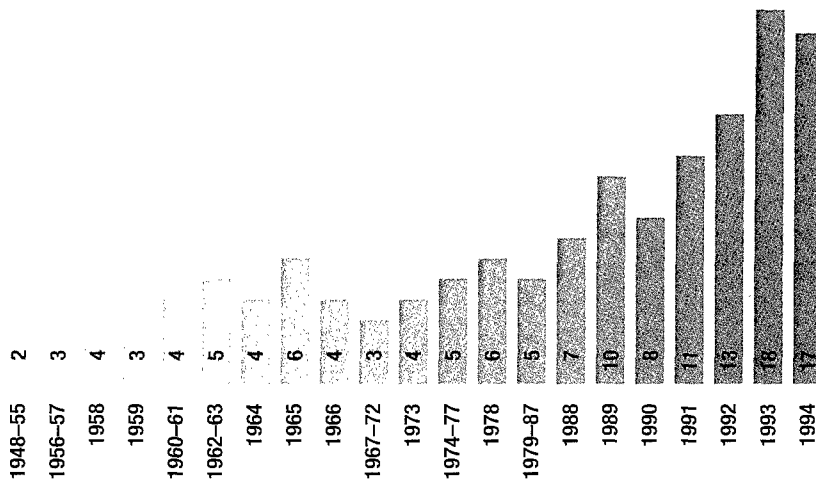
Demand for U.N. Peace Operations is Growing

The post-Cold War international security environment has led the U.N. to take on expanded responsibilities for which it has not been properly organized or fully prepared. Prior to 1988, the U.N. confined most of its peacekeeping activities to conflict resolution interventions between states, which typically involved dispatching truce observers or interposing U.N. forces between contending armies once a cease-fire had been negotiated. During this period, extending from 1948 to 1988, thirteen operations were undertaken. Such operations were based on the premise that peacekeeping was an impartial, consent-based activity.

The U.N. has since been requested to undertake a wide range of new, highly challenging missions, including:

- Preventive diplomacy.
- Relief and protection for victims of violent conflict, often by establishing safe havens.
- Supervision of transfers of political power and establishment of effective institutions of government.

Growth in Number of U.N. Peacekeeping Operations, 1948-94



SOURCE: U.N.

- Organization and monitoring of elections.
- Creation of secure environments to ensure safe delivery of relief supplies to displaced populations.

Much of the U.N.'s burden stems from the need to devote huge resources to the crisis of failed states. The U.N. estimates that nine more failed political systems may join Liberia, Somalia, Rwanda, and the former Yugoslavia in the next few years.

The demands placed on the U.N. are reflected in the number and geographic reach of operations—UNIKOM along the Iraq-Kuwait border, MINURSO in the Western Sahara, UNPROFOR in former Yugoslavia, UNOSOM II in Somalia, and many more. The strain on U.N. resources has been severe. The organization has been called upon to deploy over 70,000 military personnel in various field operations. U.N. Secretary General Boutros Boutros-Ghali, surveying the 17 operations that the U.N. was undertaking in mid-year 1994, was compelled to note that the U.N. was at "system overload."

Human and Financial Costs of Peace Operations are Exploding

The increase in peacekeeping activities has generated rising operational costs with respect to budgets and personnel. Financial costs have risen spectacularly. For example, the annual budget for traditional peace

missions was \$439 million in 1982-83; by 1986-87, it had risen to \$819 million; in 1992-93, it stood at \$3.6 billion. Each new mission is now started from scratch; the Secretary General must, in effect, solicit contributions each time a mission is deployed or expanded. Delays in financing the start-up costs of new peacekeeping missions have been met by borrowing funds from other accounts. The U.S. was \$1 billion in arrears and, as of mid-1994, Congress had refused to allocate \$300 million for a special Department of Defense FY 1995 funding request for peace operations. While the 1994 assessment was fully paid in October 1994, U.S. arrears were expected to be \$700 million. The whole question of the U.S. government's financial contribution to the U.N. is certain to come up for review in the next session of Congress, with the new majority already on record with a critical perspective. Other important donors such as Russia and Spain also have been deeply in arrears.

Insertion of civilian and military personnel into hostile environments has led to greater risks and, in recent years, to a dramatic rise in casualties. Over the period 1948-88, approximately 800 U.N. military personnel were lost, some through accidents and misadventures unattributable to hostilities. By comparison, in the former Yugoslavia and Somalia alone, over 200 deaths were reported by late 1994 as a result of local conflict situations, and the figure is rising. Indeed, the U.N. reports that deaths in November 1994 were at the rate of one every two days. In the former Yugoslavia, Britain, France, and Ukraine accounted for the largest number of casualties; in Somalia, it was the U.S., Pakistan, and Nigeria. These casualties have led several countries that traditionally have supplied personnel for peacekeeping missions to review their policies and to develop a more guarded approach toward sending their forces into conflict situations.

The U.N.'s Mandate for Involvement Is Broadening

Through the 1980s the view had prevailed that international law did not permit intervention in a state to save citizens

Major Financial Contributors to U.N. Peacekeeping Operations, 1993-94

(\$ millions)

	Country	Contributions Payable '93	Payments Received '93	Contributions Payable '94
North America	USA	\$ 915	\$ 722	\$ 869
	Canada	81	81	85
Europe	Germany	259	245	243
	France	205	205	207
	UK	172	172	173
	Italy	147	132	117
	Spain	68	29	54
	Netherlands	39	39	41
	Sweden	30	30	30
	Belgium	30	22	29
FSU	Russia	530	46	231
	Ukraine	77	3	51
Other	Japan	395	369	339
	Australia	41	41	41
	All Others	286	132	202
	Total	\$3,291	\$2,270	\$2,721

SOURCE: U.N.

Major Military and Civilian Personnel Contributions to U.N. Peacekeeping Operations

(as of July 31, 1994)

N. America		
Canada	2,680	3.7%
Europe		
France	6,243	8.5
U.K.	3,668	5.0
Netherlands	2,203	3.0
Poland	2,122	2.9
Spain	1,597	2.2
Norway	1,575	2.2
Former USSR		
Russia	1,582	2.2
Other		
Pakistan	9,210	12.6
India	5,411	7.4
Jordan	3,533	4.8
Bangladesh	3,227	4.4
Malaysia	2,786	3.8
Egypt	2,222	3.0
Nepal	2,042	2.8
All Others	23,109	31.6
Total	73,210	

SOURCE: U.N.

from their own rulers. The Gulf War weakened this conviction. After Iraqi forces were driven from Kuwait by the U.S. and its allies, Baghdad turned its fury on rebellious Kurd and Shiite populations in northern and southern Iraq, respectively. More than two million Kurds were forced to flee. The U.N. Security Council responded by adopting Resolution 699, which condemned Baghdad's repression of its civilian population and characterized its actions as a threat to international peace and security in the region. Coalition forces were mobilized to provide a secure environment for Kurds in northern Iraq and to provide humanitarian assistance, and Iraqi troops and aircraft were forbidden from entering protected zones.

The U.N. Secretary General, in his 1992 report, *An Agenda for Peace*, suggested that the U.N. may be compelled to intervene in the domestic affairs of member states in some circumstances, most notably when there is a breakdown of governing authority, when domestic turmoil is accompanied by displaced populations or gross violations of human rights, or when developments within a state pose a threat to international peace and stability.

In August 1994, Security Council Resolution 940 authorized the adoption of "all necessary measures" by member states to secure the removal of the military rulers of Haiti and to restore President Jean-Bertrand Aristide to the office from which he had been deposed by a military coup. On September 23, U.S. forces entered Haiti and the Haitian military stepped aside shortly thereafter. This success, without U.S. casualties, helped to offset in part at least negative impressions created by the Somalia operation.

The Complexity of Operations is Increasing

The existing international security environment has presented challenges that far exceed the bounds of traditional U.N. peace operations. The organization is grappling with:

- An inability to raise and equip military contingents for rapid deployment.
- U.N. Security Council resolutions that U.N. forces lack the means, and governments lack the will, to fully implement.

Major World Peacekeeping Operations (Estimates for cost and personnel strength are of October, 1994)

U.N. Operations, with actual or planned U.S. participation:

1. U.N. Protection Force (UNPROFOR). Established: February 1992. Personnel: 38,715. Estimated 1994 cost: \$1.57 billion. Mandate: Buffer force and humanitarian assistance in Croatia, Bosnia, Macedonia.
2. U.N. Operation in Somalia II (UNOSOM II). Established: March 1993. Personnel: 18,673. Estimated 1994 cost: \$947 million. Mandate: Buffer force and humanitarian operations, promotion of national reconciliation.
3. U.N. Truce Supervision Organization (UNTSO). Established: May 1948. Personnel: 218. Estimated 1994 cost: \$32 million. Mandate: Observer force in West Bank deployed after first Arab-Israeli war.
4. U.N. Mission for the Referendum in Western Sahara (MINURSO). Established: April 1991. Personnel: 299. Estimated 1994 cost: \$30 million. Mandate: Buffer force and election monitoring.
5. U.N. Operation in Mozambique (ONUMOZ). Established: December 1992. Personnel: 5,427. Estimated 1994 cost: \$296 million. Mandate: Buffer force, humanitarian operations, election monitoring, and civil administration.
6. Iraq-Kuwait Observer Mission (UNIKOM). Established: April 1991. Personnel: 1,139. Estimated 1994 cost: \$40 million. Mandate: Observation and buffer force assigned to monitor DMZ between Iraq and Kuwait.
7. U.N. Mission to Haiti (UNMIH). Established: September 1993. Personnel: 1,300 (authorized). Estimated 1994 cost: Over \$80 million. Mandate: Human rights monitoring, humanitarian assistance, institution building, and infrastructure development.

8. U.N. Mission in Georgia (UNOMIG). Established: August 1993. Personnel: 55. Estimated 1994 cost: \$28 million. Mandate: Observer force charged with facilitating a negotiated settlement of the Georgian conflict.

U.N. operations, without U.S. participation:

9. U.N. Force in Cyprus (UNFICYP). Established: March 1964. Personnel: 1,221. Estimated 1994 cost: \$30 million. Mandate: Buffer force monitoring ceasefire and DMZ between Turkish and Greek Cypriot forces.
10. U.N. Observer Mission in El Salvador (ONUSAL). Established: May 1991. Personnel: 198. Estimated 1994 cost: \$36 million. Mandate: Buffer force, police functions, humanitarian assistance, and monitoring implementation of peace accord.
11. U.N. Angola Verification Mission II (UNAVEM II). Established: May 1991. Personnel: 78. Estimated 1994 cost: \$25 million. Mandate: Observer force tasked with helping to reactivate suspended peace accords.
12. U.N. Assistance Mission to Rwanda (UNAMIR). Established: October 1993. Personnel: 3,764. Estimated 1994 cost: \$120 million. Mandate: Buffer force, humanitarian assistance.
13. U.N. Interim Force in Lebanon (UNIFIL). Established: March 1978. Personnel: 5,240. Estimated 1994 cost: \$145 million. Mandate: Buffer force to monitor withdrawal of Israeli forces and assist government of Lebanon in exercising control over southern Lebanon.
14. U.N. Disengagement Observer Force (UNDOF). Established: May 1974. Personnel: 1,043. Estimated 1994 cost: \$33 million. Mandate: Monitoring of ceasefire between Israel and Syria in the Golan Heights.
15. U.N. Military Observer Group in India and Pakistan (UNMOGIP). Personnel: 38. Estimated 1994 cost: \$8 million. Mandate: Monitoring of ceasefire in Jammu and Kashmir.

Source: State Department.

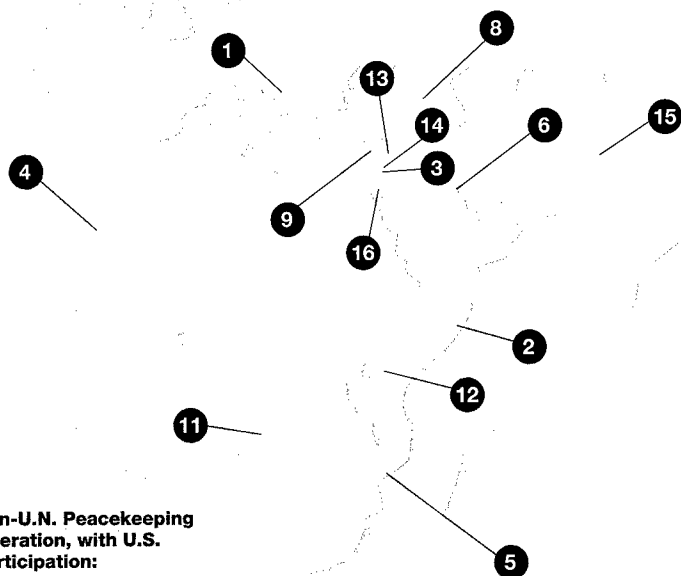
- Problems in organizing effective communications and command-and-control arrangements, which have produced serious frictions between U.N. authorities in Bosnia and NATO commanders responsible for close air support for U.N. forces.
- Difficulty in integrating military operations with humanitarian assistance programs, and other civilian programs such as human rights, electoral campaigns, and economic rehabilitation, which proved troublesome in Somalia during the mid-1993 period when U.N. forces came under attack by the forces of Somali warlords.

The complexity of contemporary peace operations also arises from the number of non-military personnel and agencies involved in such U.N. operations. At the end of April 1994, over 9,921 civilians were serving in field missions: 1,264 as civilian police, 2,550 as international staff, 4,717 hired locally in operational mission zones,

and 1,390 other civilian staff. These individuals served in job categories ranging from senior leadership positions to administrative support, and come from agencies ranging from UNHCR, UNDP, UNICEF, and the World Food Program to UNESCO. The effective integration of these different U.N. agencies and organizations with the political and military components is a major problem facing U.N. peace operations.

Delegation of Responsibility is Becoming the Norm

With the proliferation of conflict situations, the U.N. leadership has sought to share responsibilities with regional organizations and to encourage the formation of *ad hoc* coalitions. For example, in the



**Non-U.N. Peacekeeping
Operation, with U.S.
participation:**

16. Multinational Force and Observers in the Sinai (MFO). Established: 1982. Personnel: Less than 2,000. Estimated 1993 cost: \$53 million. Mandate: Monitoring provisions of peace treaty between Israel and Egypt.

Rwanda crisis of 1994, the Organization of African Unity (OAU) was requested to form a military force of 5,500 men to intervene and restore order. However, the OAU deferred to the U.N., which organized a small contingent. Similarly, the United States was authorized to organize a multinational force to intervene in Haiti. The U.N. Secretary General appears to have extended recognition to the Commonwealth of Independent States as a regional organization, tacitly accepting Russian troop involvement in neighboring republics of the former Soviet Union.

Some sub-regional groupings such as the Economic Community of West African States (ECOWAS) in West Africa and ASEAN in southeast Asia have potential that requires strengthening. Others, such as the OAU and the OAS, have an established

history of diplomatic intervention and mediation. However, the complexity of new crisis situations calls for the development of new intervention capabilities. Further, regional organizations have distinct limits based on resources, politics, and organizational factors. In the case of Europe, for example, regional organizations overlap in stated missions and purposes, leading to confusion and necessitating closer integration or at least consensus on an appropriate division of labor.

U.S. Security Interests

Increasing Global Stability

There is broad agreement in the U.S. that chaos in the international system can in many cases have a detrimental impact on

U.S. interests and citizens. The United States will back peace operations when they are initiated in support of democracy or conflict resolution. Washington is also committed to assist in efforts to contain local conflicts before they become a threat to international order requiring a military response.

Strengthening International Organizations

The U.S. has an interest in enhancing the capacity of international organizations to cope with crises confronting the international community. Support for the U.N. Security Council as an instrument for consensus-building among major powers remains a primary U.S. objective. The U.S. also supports the strengthening of regional organizations such as the CSCE and OAU.

Relieving Large-Scale Human Suffering

Emergency food, shelter, medical care, and security for victims of natural and man-made disasters, both at home and abroad, cannot always be provided on a timely basis in sufficient quantity by relief organizations. The U.S. military, with its unmatched capabilities in airlift, logistics, and medical assistance to stricken communities, will continue to be a key player in responding to many humanitarian crises throughout the world.

Key U.S. Security Policy Issues

Coping with Strains on Department of Defense Resources

The growing demand for military intervention in the internal conflicts of other nations has raised concerns in Washington that peace operations are placing a heavy burden on some U.S. forces. For example, Marine and Naval units were operating at a high tempo in 1994 in order to meet the demands of various peace operations. In addition, concerns have been raised about budgetary strains and the possible adverse consequences of excessive attention to peace operations on training, morale, and combat force readiness.

Furthermore, peacekeeping requires the development of new skills. Traditional combat training has proved in many cases inappropriate for the current genre of missions. Training forces to exercise restraint and to negotiate, as well as to maintain crowd control and engage hostile forces, is a growing need. New doctrines and techniques are being incorporated in U.S. military training programs to meet this need.

On the other hand, some peace missions do provide opportunities for units performing support functions, such as logistics and medical aid, to hone skills that they will need in the case of a major regional conflict. Still, assuming continued growth in international peace operation demands, decisions will have to be made with respect to priorities, funding, and training needs associated with non-traditional military activities.

U.S. spending on peace operations has soared in recent years. As new crises develop, special funding is needed. Congress initially appropriated \$50 million in FY 1994 for refugee relief work in Rwanda, while actual expenditure was substantially higher. An additional \$170 million was in the FY 1995 Department of Defense appropriations bill. In the Caribbean, the Cuban and Haitian refugee problems are expected to generate funding needs in the range of \$1–3 billion between fiscal years 1994 and 1995.



U.S. Peace Operations Policy Guidance

Factors for Supporting Peace Operations

- Multilateral involvement advances U.S. interests.
- International interest in dealing with problems multilaterally.
- Conflict represents threat to or breach of international peace and security.
- Operation has clear objectives.
- For peace enforcement operation, significant threat to international peace and security.
- Forces, financing, and appropriate mandate are available.
- Inaction judged to result in unacceptable political, humanitarian, and economic consequences.
- Operation's duration is tied to clear objectives and realistic criteria.

Factors for Participating in Peace Operations

- Participating advances U.S. interests.
- Risks to American personnel considered acceptable.
- Personnel, funds, and other resources are available.
- U.S. participation deemed necessary for operation's success.
- Role of U.S. forces tied to clear objectives.
- Endpoint of U.S. participation can be identified.
- U.S. public and U.S. Congress support operation.
- Command and control arrangements are acceptable.

Factors for Participating When Operation is Likely to Involve Combat

- Clear determination to commit sufficient forces to achieve clearly defined objectives.
- Plan to achieve objectives decisively.
- Commitment to reassess or adjust size, composition, and disposition of forces if necessary.

Source: Adapted from PDD-25.

The U.S. government faces two major funding issues:

- Whether the Department of Defense should fund certain U.N. assessments.
- How to reduce the U.S. share of contributions for peace operations.

For FY 1995, the Administration requested \$300 million in DOD appropriations to pay for U.N. assessments. However, Congress refused to approve this request. While the U.S. struggles to catch up on arrears and to secure a major reduction in its percentile contribution to U.N. peace operations, there is little prospect at present—given rising costs associated with existing operations and future contingencies—that either matter will be quickly brought to satisfactory conclusion. Indeed, by the end of 1994, Congress was contemplating a 50 percent reduction in the U.S. share of the \$1.6 billion peace operations budget.

Defining the Circumstances Under Which the U.S. May Intervene

In 1993, President Clinton initiated a wide-ranging review of factors to be considered in supporting U.N. operations, including circumstances under which American forces are to be provided and the issue of command authority over these forces. The extended review resulted in Presidential Decision Directive 25 (PDD-25), *Reforming Multilateral Peace Operations*, signed on May 3, 1994, which provides a policy framework to guide U.S. support for and involvement in U.N. and other multinational peace operations (see chart). Factors to be considered include the following:

- The objectives of an operation must be clearly defined, in the U.S. national interest, and assured of continuing public and congressional support.
- The commitment of U.S. troops should not be open-ended.
- An exit strategy must be in place.
- Operations involving U.S. forces must involve command and control arrangements acceptable to the United States.

The Directive offers as a primary consideration for U.S. involvement in peace operations the question of whether "there is a threat to or breach of international

peace and security," defined as international aggression, a humanitarian disaster within a violent conflict, the interruption of an established democratic system, or gross violations of human rights within a violent conflict. Additional considerations are:

- Whether the presence of U.S. troops is essential to an operation's success.
- The degree of risk to U.S. forces.
- Whether the will exists to commit sufficient forces to achieve clearly defined objectives.

The Directive has not settled the debate over the circumstances and conditions under which U.S. forces should be committed to peace operations. The Rwanda crisis exposed the complex forces that drive intervention in such crisis situations. Huge refugee flows resulting from a campaign of genocide impelled Washington to deploy logistics personnel on an emergency basis prior to a decision by the National Command Authority concerning the objectives of the mission and the issue of whether the guidelines laid down in PDD-25 had been met.

The ABLE SENTRY II mission in Macedonia could become a model for some future U.S. military involvement in peace operations under U.N. auspices. Authorized by a 1993 Security Council resolution as an extension of UNPROFOR, the Macedonia mission has a special mandate—to maintain a military presence on the Macedonia side of the border with Serbia and Albania and to report "any developments" that could threaten stability or the territorial integrity of Macedonia. A U.S. force of 525 men is deployed along the eastern half of an undemarcated sector, while a Nordic battalion covers the west. Their mission is to provide comfort for a strained Macedonian government, an informal demarcation zone where none currently exists, an indication to regional neighbors that the U.N. seeks to preserve an independent Macedonia, and a symbolic deterrent against Serbian military incursions. Several factors could threaten the existing stable situation, notably political-military upheavals in neighboring Kosovo that generate uncontrolled inflows to Macedonia, political turmoil in Macedonia due to Greece's economic embargo, and the low training level



Chairman of the Joint Chiefs of Staff General Shalikashvili greets British Lt. General Rose, Commander of U.N. forces in Sarajevo, March 1994.

of Serb units in the border sector. If it can be sustained while the U.N. and other organizations seek to develop effective strategies to contain potential upheavals in the southern Balkans, ABLE SENTRY II would provide an enduring standard for comparable missions in the future. The failure of ABLE SENTRY, on the other hand, might well generate widening conflict in the southern Balkans and adjoining regions.

Addressing Difficulties With Command and Control

The participation of U.S. forces in peace operations has also led to debate within the national security community about whether U.S. troops should serve under the command of foreign officers. PDD-25 notes that while the United States will not place U.S. troops under the "command" of foreign officers, it may cede "operational control" on a case-by-case basis. This means that U.S. forces may serve under a foreign commander—as has indeed been the case in places such as Macedonia and the Sinai—but only on a temporary and tightly circumscribed basis, for the purpose of accomplishing a specific mission.

The issue of unity of command in U.N. and regional organization peace operations has proven difficult to resolve. Washington's reluctance to place its forces under a foreign commander is shared by other nations with regard to their forces. The ques-

tion of command is less likely to cause difficulties if the purposes of the overall mission are clear and mutually agreed-upon—as when they are directly derived from Security Council resolutions—and when there is adequate coordination among national militaries.

The issue of command and control is most likely to be addressed on a case-by-case basis. When the United States is the lead nation, as in the 1991 Gulf War, it will assume primary responsibility for planning and coordinating operations with military representatives from other nations. In such situations, negotiating skills and appreciation of differing military traditions are crucial. In circumstances where the U.S. is not the leading partner, however, planning and command-and-control arrangements may prove more contentious from the point of view of the U.S. military. That is not to say, however, that the U.S. will always seek to assume the leading role.

Improving Headquarters Operations

There is general agreement that the U.N. management system for peace operations requires strengthening. Currently, the organization does not have the capacity to direct peace and humanitarian operations in a coordinated fashion. Nor has the U.N. demonstrated that it can provide effective guidance for NATO, WEU, or similar entities. A number of measures have been proposed to improve performance, including:

- Creating a planning division to deal with the major problems associated with peace operations.
- Strengthening of real-time information and communications links to field operations.
- Contracting out logistical support requirements on a competitive basis.
- Establishing a rapidly deployable headquarters team, logistical support units, and a trained civilian reserve corps to assist in the administration, management, and execution of U.N. peace operations.

Such measures will require leadership and willingness to alter traditional bureaucratic roles. This may be difficult; most agency heads are resistant to efforts to redirect their goals and operations. Further, it

Current and Recent US International Peacekeeping Commitments

Country	US Force under US Command as of 12/1/94	US Force under UN Command as of 12/1/94
Ex-Yugoslavia		
Bosnia "Deny Flight" No-Fly Zone	1,740	
Bosnia "Provide Promise" Humanitarian Aid Airlift	1,650	
Adriatic "Sharp Guard" Blockade	760	
UNPROFOR (Macedonia, Croatia, Bosnia)		654
Iraq		
"Provide Comfort" Kurdish Relief Humanitarian Aid	1,110	
"Southern Watch" No-fly Zone	352	
UNIKOM/UNSCOM		15
Middle East		
MFO (Multilateral Force and Observers in the Sinai)	1,000	
UNTSO		16
Somalia		
Marine Amphibious Force	2,340	
South Korea		
CFC (Combined Forces Command)	57	
Western Sahara		
MINURSO		30
Mozambique		
ONUMOZ		7
Haiti	10,000	
UN Headquarters		9
TOTALS	19,009	731

SOURCE: DOD

NOTE: Forces shown are deployed abroad for a mission in the country cited but are not necessarily in that country (e.g., Iraq).

is not clear how much financial and other types of support U.N. member states regard as appropriate. At present, there is little support in Washington, or in the U.N. membership generally, for the creation of a standing brigade-sized U.N. rapid deployment force. Nor has the Secretary General achieved much success in securing members' agreement to earmark some of their forces for future peace operations.

Encouraging a Constructive Role for Regional Organizations

An issue of mounting importance is the intention of the Secretary General to delegate responsibility for peace operations to regional organizations under the terms of Chapter VIII of the Charter. He called a meeting of representative regional organization on this subject in August 1994, and is slated to present a paper (and possibly proposals) to the Security Council in January

1995. The intent of the founders of the United Nations was fairly clear with respect to Chapter VIII—regional organizations are to serve as "courts of first instance" for conflict resolution. However, several obstacles stand in the way of the Secretary General's intentions:

- Regional organizations often have limited resources with which to cope with Chapter VII requirements.
- There exists little consensus among them regarding doctrinal and operational guidelines for peace operations.
- Such organizations are prone to fall under the influence of regional hegemony.

Some specialists believe that the Secretary General cannot on his own fully delegate authority to regional organizations, since Chapter VIII makes clear that no enforcement action should be initiated by regional agencies without the authorization of the Security Council, and that the Council is to be kept informed of peace operations undertaken or contemplated by regional agencies. The force of these provisions, however, is being *de facto* diluted as a result of the welter of international crises. For example, Russia is already involved in operations in Azerbaijan, Tajikistan, Moldova, and Georgia under the auspices of the Commonwealth of Independent States, and hardly appears inclined to provide comprehensive reports on its actions for the approval of the Security Council.

The most likely area for meaningful involvement of regional organizations is at the low end of the scale, that is, preventive diplomacy and small-scale U.N. peacekeeping operations. Nevertheless, the practical limitations of regional organizations remain a major obstacle. In Africa, for example, the OAU has limited trained manpower, equipment, and money at its disposal. Washington is providing modest assistance to the Organization to strengthen its mediation capabilities but, as the Rwanda crisis amply demonstrated, the OAU cannot rapidly mobilize, equip, transport, and supply large numbers of troops for crisis intervention. There has been talk of making equipment available for a brigade-sized force under the terms of

the U.S. security assistance program. For the present, however, regional organizations in the less affluent parts of the globe are limited in their capabilities and often dependent on material support from the industrial nations.

A debate is looming on the horizon about whether Washington should accept the emerging reality of a "spheres of influence" approach to peace operations. This would mean, for example, acknowledging a Russian sphere of influence in several of the republics of the former Soviet Union.

Establishing a Basis for Intervention in the Domestic Affairs of Sovereign States

Over the past several years, the U.N. has expanded the legal basis for military intervention in local crises. Civil wars, the failure of governments to protect populations from large-scale violence, and the collapse of governing institutions have generated humanitarian concerns that cry out for intervention. Prominent examples include the protection of Iraqi Kurds and Shiites, the provision of protection and relief to Somalis caught in the anarchy of that country's famine and civil wars, and efforts to reign in contending forces in Liberia and to bring that civil war to a negotiated settlement.

Legal warrant for intervention has been found in Chapter VII of the U.N. charter. U.N. Security Council Resolution 940, which was adopted in July 1994 and authorizes the use of force to restore democracy and order in Haiti, provides a good illustration of this doctrine in action. When authorizing this action under Chapter VII, the Council noted that it was to be regarded as an extraordinary situation. Nevertheless, such situations are multiplying rapidly.

Resolution 940 also authorized a second stage of multilateral action in Haiti, following removal of the dictatorial regime and the reestablishment of the democratically elected president. This called for a follow-on U.N. force charged with sustaining

a secure and stable environment; professionalizing the Haitian armed forces and creating a separate police force; and ensuring an environment conducive to the "organization of fair and free legislative elections." The resolution does not specify which states will participate, nor does it bind the restored president to observe all standards associated with participatory democracy. Such nebulous mandates raise a number of issues:

- Can the U.N. complete its mission by February 1996, as stipulated in Resolution 940?
- What criteria will be used to determine when a stable environment has been established?
- To what extent will operations to secure a stable environment overlap with subsequent stages of the operation?
- Is the U.N. expected to serve as a mediator should conflict or violence erupt between contending political factions over power sharing?

Washington confronts three vexing challenges when faced with Haiti-type intervention situations. The first relates to consistency. In late 1994, there were eighteen civil wars in progress, all with numerous civilian casualties and little immediate prospect of conclusion through a negotiated settlement. It does not seem likely that either the international community or the U.S. will intervene in all these conflicts. What are to be the criteria for selecting where to intervene?

A second problem is the likelihood that armed intervention will be viewed by one or more of the contending parties as lacking legitimacy or prejudicial to their interests—as in Somalia and Bosnia. In due course, the intervening forces become targets for local militias. Time and casualties frequently erode the will to continue such a U.N. mission.

Finally, there are no quick fixes for the overwhelming majority of internal conflicts. Once armed intervention occurs, the challenge becomes one of avoiding interminable entanglement in the conflict, protecting peacekeeping forces, and ensuring a modicum of stability and order. The latter requirement, however, may lead to the temptation for intervening powers to try their hand at institution-building, particularly when dealing with failed states—a process often dubbed "mission creep."

Transnational Threats

A significant and increasing threat to U.S. security comes from a wide range of transnational problems, including those caused by malefactors (drug traffickers, nuclear smugglers, and terrorists), impersonal forces (pollution, resource shortages, population growth), and humanitarian disasters. The unifying element in the broad range of issues covered in this chapter is that none are due primarily to the actions of governments.

In some form, transnational threats have been around for as long as there have been nations. From its very inception, the United States has had to deal with issues such as piracy on the high seas, epidemics transmitted from abroad, and unwanted immigration. However, in recent years, the acceleration of technological advances and the diffusion of liberal values have created some urgent new transnational threats, as well as exacerbating some longstanding threats—or at least making them appear more pressing.

During the Cold War, the notion that the military might have a role in addressing transnational threats rarely surfaced. Since the demise of the Soviet threat, however, the U.S. armed forces have become free to address other tasks, such as disaster relief and quasi-police functions. The question of whether the

military is the appropriate agency to handle such tasks, however, remains open.

Defining Trends

Illegal Drug Use, After Declining for a Decade, is Stabilizing

Illegal drugs are the most lucrative and violent part of the international crime scene. While many estimates of the illegal drug trade exist, a study for the Office of National Drug Control Policy, *What America's Users Spend on Illegal Drugs*, indicates that U.S. consumers spent \$49 billion on heroin, cocaine, and marijuana in 1991. About half of the 900,000 Americans in state and federal prisons are there for drug-related offenses, and there were 1.1 million arrests for drug-related violations in 1992.

The illegal drug problem can be viewed from three perspectives, each tied to one part of the counter-narcotics effort:

Consumption. After reaching a peak in the late 1970s, the number of U.S. drug consumers fell steadily for more than a decade. The low point was reached 1992, when the National Household Survey on Drug Abuse found that 11.2 million Americans had used

illegal drugs in the month before the survey, less than half the 24.3 million users in 1979, although that may partly be accounted for by the decreasing social acceptability of admitting to drug use. However, the number of those who use cocaine and heroin at least weekly has stayed more or less constant at about 2.1 million and 600,000 respectively, despite treatment programs that accommodate 1.4 million users per year. Since hard-core users account for the vast bulk of the drugs consumed, the total amount of cocaine and heroin used has not significantly changed for at least ten years.

In 1993–1994, drug demand seems to have picked up. The 1994 Household Survey showed an increase in the number of consumers from 1992 (11.7 million compared to 11.2 million). More troubling, the University of Michigan's annual surveys of high school students reported sharp increases in marijuana consumption in 1994,

with the steepest increase in the youngest groups. Drug experts have been worried since the early 1990s that heroin consumption may be increasing; emergency room visits for heroin problems rose 44 percent in the first half of 1993 compared to 1992. Factors contributing to this upswing in consumption include economic and social despair among the underclass, a resurgence of favorable images of drugs and drug users in media appealing to the young, and the development of smokeable heroin.

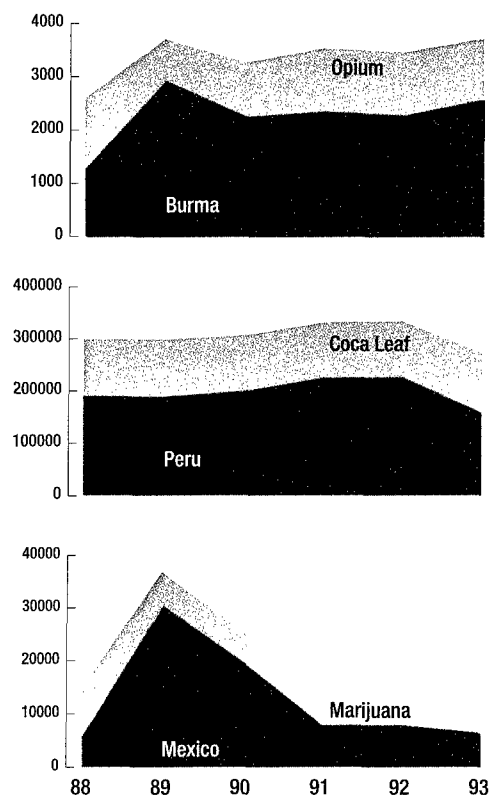
Given current trends, the most likely prospect is for increasing drug consumption in the next few years.

Production. The best estimate of worldwide illegal drug production potential, developed by U.S. intelligence services from satellite photos of crops, maintains that production held approximately steady from 1988 through 1993, aside from a drop in coca leaf output in 1993 due to a fungus outbreak. Production is highly concentrated. In 1993, 88 percent of the world's opium came from two countries (Burma and Afghanistan), as did 88 percent of coca leaf (Peru and Bolivia) and 72 percent of marijuana (Mexico and Colombia).

Crop eradication has been a major element in marijuana control, with 38 percent of the planted area destroyed in 1993, primarily by defoliants sprayed from the air—and that understates the effect, since the vigorous Colombian spraying program has contained that country's planted area to a mere fraction of what it would otherwise be. On the other hand, eradication of opium poppies and coca bushes has been largely unsuccessful and, in the Andean nations, intensely unpopular. The U.S. government's *International Narcotics Control Strategy Report* estimates that in 1993, 7 percent of the area planted with opium poppies was destroyed, as was 2 percent of the coca leaf area.

The most likely scenario is for little change in world output of illegal drug crops, with some diversification to new areas, such as more opium poppies in the Andes and more coca bushes in areas of Peru where it was not cultivated for sale until recently. Opium cultivation is becoming more common in ex-Soviet Central Asia, but it is unclear how large a problem this will be.

Potential Drug Production, 1988–93
(in metric tons)



SOURCE: State/INM, International Narcotics Strategy Report

Trafficking. Whereas drug crop cultivation has remained highly concentrated in a few countries, the high-profit business of international drug trafficking—smuggling drugs from where crops are grown to where consumption occurs—is spreading into new regions. Trafficking has mushroomed in countries suffering from sharp economic contraction or crises of governability, especially Nigeria and the states of the former Soviet Union. Trade through Nigeria, which the U.S. government suspects enjoys some protection from Nigerian government officials, accounts for one-third of the heroin entering the U.S., according to some estimates. At the same time, drug trafficking continues unabated in its traditional strongholds. In Latin America, the violent Medellín cartel effectively ceased functioning with Pablo Escobar's death in a December 1993 in a shootout with police, but trafficking continues at comparable levels under other equally dangerous—if somewhat less violent—drug lords, such as those from Cali.

Counter-narcotics efforts aimed at trafficking have several elements. One is drug seizure programs, the success of which is often underestimated. For instance, in 1992, 338 tons of cocaine was seized by law enforcement agencies, out of a global estimated production potential of 1,000 tons, according to the 1994 *National Drug Control Strategy*. That means more cocaine was seized globally than was consumed in the United States (300 tons). In addition, the intelligence gathered by monitoring drug organizations feeds into an increasingly vigorous program to go after drug money, through money-laundering controls. To date, the principal effect of these controls has been to raise the cost of doing business rather than to seize assets, in part because of civil liberties concerns posed by seizing assets that cannot be directly linked to drug profits.

Despite Worries, Little International Criminal Smuggling of Nuclear Material Has Been Detected

The main national security worry associated with international crime has been that plutonium or highly-enriched ura-

nium could be stolen from the former Soviet Union and sold internationally. Several seizures in Germany during the summer of 1994 raised concern that such diversions may have begun. However, it is not clear that a black market in fissile material has yet developed. Most of the material offered for sale to undercover agents has turned out to be useless for bombs, if radioactive at all. The quantities of actual bomb-quality material that have been intercepted were very small—perhaps because they were samples, but perhaps because that was all that criminals could smuggle out of Russian facilities. The latter explanation seems supported by the physical characteristics of the material seized in the two 1994 German plutonium-239 cases; this material was of a grade thought to be found only in research, as opposed to weapons, facilities.

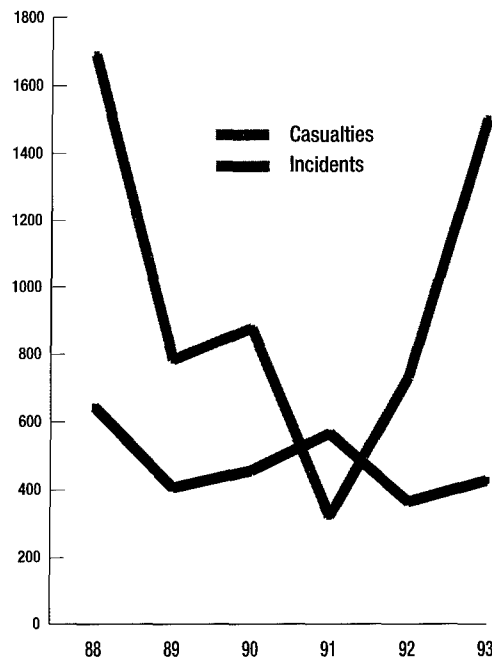
Despite concerns about the involvement of Russian organized crime in the smuggling of fissile materials, none of the cases detected by late 1994 had been shown to involve Russian mafia gangs. Nor is there any evidence that material has been smuggled out of Russian military facilities, where the vast bulk of fissile material is kept. Furthermore, no evidence has emerged to suggest that agents of rogue states or terrorist groups have been trying to purchase fissile material—although there have been numerous attempted purchases by journalists, police, and intelligence agents from various Western countries.

International Terrorism Comes to U.S. Shores

The data on international terrorism show no clear trend up or down from 1988 through 1993, despite the collapse of the Soviet Union, which is now known to have provided more aid for terrorists than was hitherto recognized.

From the U.S. perspective, the major change in international terrorism in the 1990s has been that terrorists no longer shy away from acting on U.S. soil. In the 1980s, the U.S. was the scene of few international terrorist actions, and most of these were aimed at foreigners in the U.S.—for example, a plot by Sikhs to assassinate an Indian official. Although U.S. citizens were often

International Terrorism Incidents and Casualties, 1988-93



SOURCE: U.S. State Department

victims of terrorism, that was primarily a result of attacks abroad. Perhaps the fear of U.S. retaliation was sufficient to deter the states that sponsored international terrorism.

The protected status of the United States has largely disappeared in the 1990s. The February 1993 bombing of the World Trade Center in New York City, for which four radical Muslims were convicted in March 1994, killed six and injured one thousand. Other examples of the spread of international terrorism in the U.S. include the 1994 conviction of Abu Nidal supporters for a Saint Louis murder and the 1993 arrests for a plot to bomb several New York buildings. The most likely prospect is that international terrorist episodes on U.S. soil will become more common.

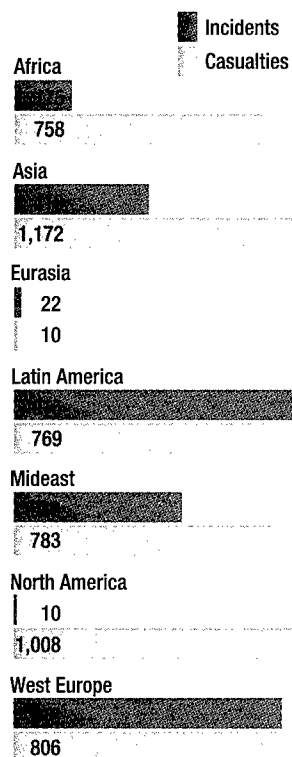
In retrospect, it is clear that the international terrorism of the 1970s and 1980s generally had a state sponsor, with the Soviet Union often providing indirect support. This was not necessarily known at the time, however. For instance, shadowy Middle Eastern groups frequently claimed responsibility for various hijackings, kidnappings, and murders that are now known to have been sponsored by the governments

of Iran, Syria, and Libya, as well as the PLO. Therefore, caution is needed in evaluating what appears to be a trend towards terrorism independent of state sponsorship. It is possible that hostile governments are secretly backing the seemingly autonomous radical movements that account for much present-day terrorism. For instance, Iran has largely avoided blame for the actions of its Revolutionary Guard soldiers in supporting Lebanon-based Hezbollah. Learning from this practice, Hezbollah is establishing its own chain of semi-plausible deniability, in order to participate in Lebanon's politics of reconciliation while still organizing terrorist attacks—as it appears to have done in Buenos Aires and London in July 1994 with bombings of Jewish and Israeli targets that killed more than ninety persons.

In those cases where state sponsorship can be demonstrated, the U.S. and the international community tend to respond vigorously against the offending government. For example, following a determination that the Iraqi government was responsible for an April 1993 plot to kill former President Bush during his visit to Kuwait, the U.S. launched cruise missiles against the headquarters of the Iraqi intelligence service. In November 1993, in response to Tripoli's refusal to extradite suspects in the bombing of Pan Am Flight 103 and UTA Flight 772, the U.N. Security Council toughened the sanctions imposed on Libya in March 1992.

Terrorists who lack state sponsorship increasingly use criminal activities to finance their movements. For example, captured documents and defectors suggest that Peru's Shining Path collected tens of millions of dollars from the cocaine traffickers. Some Colombian guerrillas appear to have become bandits, supporting themselves with kidnappings and industrial blackmail, such as threatening to blow up facilities unless paid off. According to the British government, the Irish Republican Army is in the murder-for-hire business, with the Iranian government paying to kill Iranian dissidents living in Britain. The most likely prospect is that political terrorism and ordinary crime will increasingly

International Terrorism by Region, 1988-93



SOURCE: U.S. State Department

meld, with terrorism becoming a particularly nasty sort of organized crime.

Environmental Initiatives are Increasingly on an International Rather Than National Scale

Environmental issues are a growing factor in international and security affairs. While part of the reason for this is that less attention needs to be devoted to the threat of conflict among great powers, at least as important is that environmental issues that were previously seen as purely domestic matters are increasingly understood to be international problems. The 1992 Rio Earth Summit was a milestone in forging a consensus that international coordination is needed for such problems as acid rain, loss of forest resources, and excessive population pressures on the natural resource base.

Pollution Control Agreements. Many of the most pressing pollution problems of the 1990s involve the "global commons"—areas like the oceans and the atmosphere that are in some sense owned collectively by all, rather than being the sovereign territory of any single nation. The problems of the global commons have been addressed by several international agreements negotiated in the last decade, notably the 1987 Montreal Protocol on Substances that Deplete the Ozone Layer and the 1992 Framework Convention on Climate Change. A challenge in the 1990s will be implementing the pollution-control targets in these agreements. Some governments will no doubt attempt to be "free riders" on the pollution control efforts of other nations. Others will prefer to wait for the global community to induce their cooperation with various types of incentives.

Disputes Over Transborder Resources. While the general trend is towards international cooperation on global pollution problems, there has been less progress towards peaceful resolution of disputes over transborder resources. The principal problems involve conflicting claims to offshore oil fields in disputed waters (such as the South China Sea) and, most emotionally, water resources. Of the latter, the most acute disputes are in the Middle East, over the waters of the Euphrates, Jordan, and Nile rivers. A water dispute was a major factor in the 1967 Arab-Israeli war, and the Kurdish separatist movement in Turkey would not have become such a major threat had it not been for Syrian aid in retaliation for Turkish dam construction on the Euphrates.

The outlook for agreements to share water is not particularly good. The institutions for controlling water use are products of an era when water was not considered scarce. Cultural and religious considerations often cause water to be viewed as too important to allow its use to be determined by markets or diplomatic haggling. International law supports both the doctrine of *unlimited territorial sovereignty*, which states that a country has exclusive rights to the use of waters within its territory, and the contrasting doctrine of *unlimited territorial integrity*, which states that one country cannot alter the quantity and quality of water

available to another. In practice, the strongest, most clever, and best-positioned countries often use water resources with little concern for the impact on others.

Population Pressures. Population control programs have won widespread acceptance around the globe. (The controversies at the September 1994 Cairo U.N. International Conference on Population and Development primarily concerned abortion and sexual freedom issues, not contraception.) Owing to increases in the availability of birth control and the education of women, the global birth rate has been falling. By the late 1980s, fertility in most of the developing countries, regardless of levels of development or cultural background, was in sustained decline. On average, birth rates in the developing world have declined by one third since the mid-1960s: women formerly had six children on average, but only four by the beginning of the 1990s.

Despite the decline in fertility, annual world population growth has not slowed perceptibly, owing to the demographic momentum of the youthful populations of the developing world. A major population control challenge for the 1990s is to slow this momentum through persuading women to delay childbearing.

Population pressures in the 1990s may come less from swelling total numbers and more from changes in the composition of populations. In some countries, the main problem will be changes in the relative proportions of ethnic groups, which may heighten tensions among groups. Other states will be more concerned with the breakdown of social order in megacities where services cannot keep up with the inflow of migrants from the countryside. Perhaps the most severe problem facing most of Africa and parts of Asia and Latin America is the prospect of mass unemployment among young people, as large numbers of youth enter the labor force in the next decade. If this challenge is handled well—as in China, which faced the labor force boom earlier than most nations—the result can be rapid economic growth. If handled poorly, as in Algeria, the result can be high youth unemployment that feeds social unrest.

Mass Refugee Flows and Humanitarian Disasters Are Becoming More Common, Straining the Will to Respond

While the U.S. military will continue to be involved in responding to natural disasters abroad, humanitarian interventions increasingly will be in response to civil wars, ethnic conflicts, and other forms of violence in the troubled states. Relatedly, there has been an alarming increase in refugees, from 2.5 million in 1970, to 8.2 million in 1980, to over 19 million in 1994, according to the United Nations High Commissioner for Refugees (UNHCR).

Some governments incite a flow of refugees. Assaults on food supplies have been a key military strategy in some African conflicts, and are used to deprive rebel movements of recruits and to force the exodus of civilians from conflict zones. Famine also brings international relief, the diversion of which became a source of funds for financing wars in Ethiopia, Somalia, Sudan, and Mozambique. Some rebel groups have also encouraged the flight of refugees, because refugee camps provide fertile grounds for propaganda and recruitment. It is therefore inappropriate to assume that local political elites will always cooperate with international efforts to prevent refugee crises or to alleviate refugees' suffering.

The U.S. military is most likely to become involved when refugees leave a country in a mass exodus, particularly when the country is near U.S. shores. Such sudden waves are likely to occur with increasing frequency in the coming years. Not only is the ethnic and civil violence that creates such exoduses on the rise, but increased access to modern communications allows large groups to learn quickly of impending political troubles, and therefore to flee *en masse*, often overwhelming controls in the destination countries—as in the cases of Rwandan Hutus fleeing to Zaire and Iraqi Kurds fleeing to Turkey. Candidates for producing new large-scale refugee waves in the approaching years include Cuba, Haiti, Algeria, a number of African nations with simmering ethnic tensions, and the Kurdish areas of Turkey and Iraq.

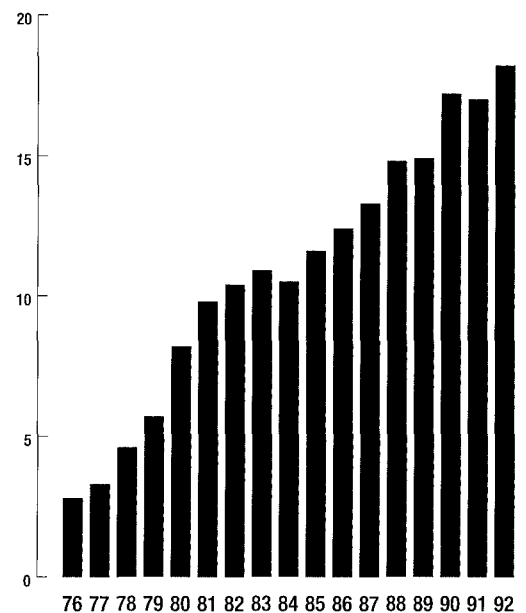


Refugees fleeing from genocide in Rwanda.

Washington's response to refugee flows, as well as other humanitarian disasters, often appears to be driven by public opinion, which is at least partly aroused by television coverage that emphasizes horrific images. Yet public opinion toward military intervention in such situations is notoriously ambivalent. Public sensitivity to images of widespread suffering may lead to pressure to intervene, but public sensitivity to the loss of U.S. lives and money in non-essential operations frequently results in pressure to disengage. The evolution of the Somalia operation from late 1992 to the fall of 1993 illustrates this cycle well.

While the U.S. does not have a narrowly-defined security interest in responding to every humanitarian disaster, Washington is finding it increasingly difficult to resist the public and international pressure to intervene that such suffering elicits. For example, the U.S. government's initial lack of response in April and May 1994 to the slaughter in Rwanda led some to argue that Washington was insufficiently sensitive to

Global Refugees, 1976-92
(millions)



SOURCE: UNHCR, State of the World's Refugees, 1993.

the suffering of Africans, Somalia being in this view the exception that proved the rule. In the end, the U.S., France, and other market democracies found themselves compelled to intervene, using a larger force than might have been necessary had action been taken earlier. Based in part on this experience, the international community is moving towards a consensus favoring the provision of relief in humanitarian disasters, including refugee mass exoduses and even civil wars, whenever this is feasible.

U.S. Security Interests

Preventing Terrorist Violence in the U.S.

For terrorist episodes in the U.S. to date, the law enforcement system has been successful at what it does best—namely, determining responsibility after a crime has been committed. The challenge, however, is to find ways to prevent terrorists from carrying out their plans. The U.S. government, including the military, will continue to devote substantial efforts to preventing terrorist attacks, particularly at major events such as the 1996 Atlanta Olympics.

Preventing Diversion of Nuclear Material

Criminal diversion of fissile material might well be the single most worrying proliferation problem. A rogue state could, upon acquisition of a few kilograms of plutonium or highly enriched uranium, develop a nuclear bomb within a few years. Furthermore, unless the U.S. learned about the diversion of nuclear material, Washington would have more difficulty detecting such a nuclear weapons program, since it would not require the large facilities and expense involved in producing fissile material.

Reducing the Flow of Dangerous Drugs to the U.S.

The U.S. has a vital public health interest in reducing dangerous drug use. The question is whether to focus on illegal drug inflows or domestic demand in order to achieve this interest. The majority viewpoint in policy circles at present holds that attempting to control foreign supplies of

drugs—through interdiction, lab destruction, crop eradication, and the provision of economic alternatives to those who cultivate drug crops—is not the most effective way to reduce illegal drug use, and that more effort should be devoted to reducing demand. Further, most observers believe that the U.S. military is not well suited to take the lead in any part of the supply control effort.

Controlling the Borders, Especially Containing Large, Sudden Population Flows to the U.S.

A broad political consensus is emerging that, however unfortunate the circumstances in their home countries, those fleeing political turmoil or economic deprivation cannot be allowed to enter the U.S. in unlimited numbers. The U.S. is simply not willing to extend refugee status to every person fleeing from a dictatorship, such as Haiti under the junta or Cuba under Castro. As a result of the increasing concern about the impact of immigration in general, more priority is likely to be assigned in coming years to containment of migrants claiming refugee status.

Responding to Humanitarian Disasters Abroad

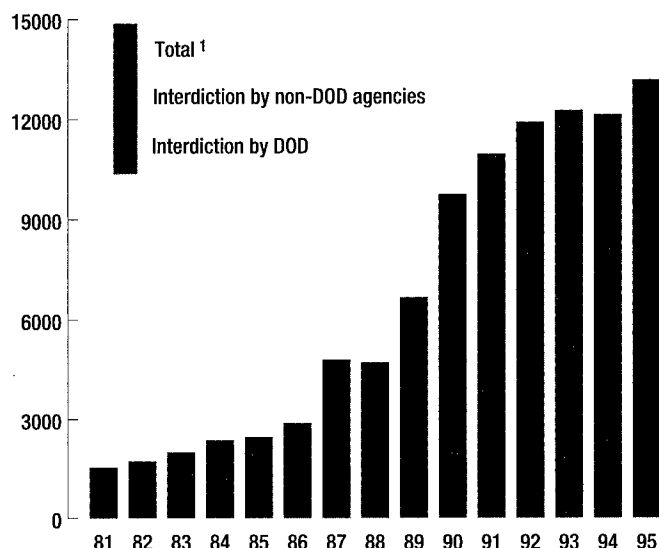
The U.S. public is moved by heart-rending televised images of political and natural disasters in remote corners of the world, and often insists that the government join with charitable organizations in providing disaster relief. Given its transport and communications capabilities as well as its ability to deploy quickly, the military will often be called upon to assist such efforts, particularly when time is of the essence.

Key U.S. Security Policy Issues

Interdicting Drug Trafficking

After a seven-month review by the National Security Council, the U.S. government decided in 1993 to change the emphasis in the counter-drug effort to controlling

U.S. Drug Control Budget, FY 1981–95 (\$ millions)



¹ Most expenditures are for corrections, drug abuse prevention, and treatment.

SOURCE: Office of National Drug Control Policy, *National Drug Control Strategy Budget Summary*

demand through measures such as treatment programs, rather than reducing supply through measures such as interdiction. The funding for interdiction, which had increased from \$350 million in FY 1981 to \$2.2 billion in FY 92, has been reduced to a requested \$1.2 billion in FY 1995. This reduction was based on the judgement that interdiction is not cost-effective compared to other counter-drug programs. A 1994 RAND study, *Controlling Cocaine: Supply versus Demand Programs*, estimated that to reduce U.S. cocaine consumption by one percent would require \$366 million in interdiction expenditures, while the same result could be achieved by spending \$34 million on treatment.

Striking a balance between demand reduction and supply reduction is a difficult issue. Each approach has a positive impact, and the two can be complementary, although they are often viewed as competitors for scarce funds. During the decade to 1992 when supply reduction got priority in allocation of funds, demand for illegal drugs did in fact drop—perhaps a coincidence, perhaps not. However, the prospect is that the interdiction budget will not grow, and may even shrink further, in the next two to five years. The challenge

will be to target declining resources more effectively on the major traffickers.

During the late 1980s and early 1990s, the Defense Department's counter-drug effort was overwhelmingly in the area of interdiction. In 1994, less went to interdiction than to other Defense Department counter-drug programs, such as aid to states and local communities (primarily aid to law enforcement) and drug prevention and treatment programs for DOD personnel. The Defense Department's overall counter-drug funding fell 30 percent from FY 1992 to FY 1994, and is not likely to increase in real terms.

Protecting the Homeland Against Terrorism

The world trend is to redefine terrorism as a domestic crime, rather than an act of undeclared war. In part, this reflects the apparent decline in state sponsorship of terrorist acts. It also reflects the political acceptability of police-to-police and court-to-court cooperation, which depoliticizes cooperation between governments that may have poor relations, but can agree that those responsible for violence against the innocent should be punished. Thus, the trend is to insist on judicial proceedings to demonstrate individual culpability for terrorist acts.

The focus on individual responsibility, the time required to gather evidence that establishes guilt beyond a reasonable doubt, and the concern for following judicial procedures all make military retaliation a less feasible option. However, in cases where state sponsorship can be clearly demonstrated in a court of law, there is likely to be considerable pressure on the U.S. government to take military action against the state in question, as demonstrated by the attacks on Baghdad in August 1993, after a Kuwaiti court finding of Iraqi involvement in the Bush assassination attempt.

Though retaliation on the model of the 1986 bombing of Libya is less likely, the military will continue to play a key role in counter-terrorism. One important contribution will be in intelligence gathering, including satellite and signal intelligence. The

A crewman of the Navy hydrofoil U.S.S. Taurus prepares to board a merchant vessel as part of the Navy's drug interdiction efforts.



civilian U.S. intelligence community has had some setbacks recently, including public interagency disputes (especially over the Ames spy case) that some worry could affect cooperation between the CIA, which has lead responsibility abroad but is not allowed to collect intelligence domestically, and the FBI, which has lead responsibility domestically and is expanding its efforts abroad. Another role may be military retaliation against ideological terrorists operating out of headquarters in troubled states whose governments have little control over such activities. In this case, military retaliation could take the form of strikes against terrorist bases and headquarters using special operation forces, rather than air strikes against key facilities of the state from which the terrorists operated.

Preventing a Black Market in Nuclear Bomb Material

While there is a strong international consensus about the importance of preventing a black market in nuclear bomb material, there are sharp differences of

opinion about how difficult this will be and how to go about the task.

Attitudes towards fissile material stocks left over from the Cold War are dramatically different in the U.S. and Russia. The U.S. position, as stated by Energy Secretary Hazel O'Leary, is that "plutonium we no longer need for weapons is a global security risk and an economic liability." The Russian attitude, on the other hand, is that their 1,000 tons of highly-enriched uranium and 170 tons of plutonium are highly valuable and should be used to produce electricity. Russia's powerful Minister of Atomic Energy, Viktor Mikhailov, insists that "[the] 21st century belongs to nuclear power... We have spent too much money making this material just to mix it with radioactive waste and bury it."

The Russian view is reinforced by the example of Japanese and French breeder reactors, which generate plutonium, as well as by the British program for reprocessing uranium. The Russian view—shared by many in western Europe and Japan—is that, if countries with successful nuclear electricity programs such as France and Japan decide to invest billions in plutonium, then U.S. objections are probably expressions of commercial concerns, rather than genuine counterproliferation concerns, from a country widely seen as unsuccessful at economical nuclear electricity generation.

The U.S. government and U.S. expert opinion nevertheless offer a host of technical and economic reasons why civilian plutonium production and uranium reprocessing are economically unsound and environmentally inappropriate. However, the U.S. has not decided how to dispose of its own plutonium, which complicates efforts to persuade Moscow to dispose of its stocks rather than preserving them for use in electricity generation.

One encouraging precedent for the destruction of leftover fissile material is the Tripartite Agreement among the U.S., Russia, and the Ukraine. This agreement calls for blending Ukrainian weapons-grade uranium with less enriched uranium into a mix that will be used in civilian reactors.

This acknowledges Ukrainian and Russian attitudes that the material is valuable, while also addressing U.S. concerns that it be destroyed economically.

So long as stocks of fissile material exist, all sides agree that a rigorous program is needed to prevent diversions. The Russian government argues vigorously that its security program is excellent, but cooperation on this issue will remain difficult so long as the Russian Ministry of Atomic Energy is concerned that cooperation with Washington will draw the fire of Russian nationalist politicians. The U.S. is likely to encounter continuing problems in implementing the parts of the Nunn-Lugar legislation aimed at safeguarding fissile material stocks and providing research funds to keep CIS nuclear industry experts productively engaged.

Western governments face a quandary in their efforts to detect and prevent fissile material smuggling. Some German prosecutors and lawyers publicly complain that undercover police operations aimed at uncovering such activities may attract copycats who would not otherwise have considered smuggling bomb material. If nothing else, the large number of would-be purchasers from news, police, and intelligence organizations could drive up prices, making such smuggling more attractive. On the other hand, it would be irresponsible for police and intelligence agencies to ignore those who claim to be offering nuclear material for sale. The problem of balancing detection efforts against inadvertent encouragement of such diversion is likely to grow.

Another approach to the problem of diverted fissile material is to reduce rogue states' temptation to purchase such material. All the states that are thought to want nuclear weapons but lack the means to produce fissile material are currently NPT signatories. An international consensus favoring vigorous action against any NPT state found to be purchasing diverted fissile material might have an impact on these states. Some also fear that diverted fissile material could be sold to a terrorist group. However, it is difficult to identify

any terrorist organization that could convert such material into a nuclear weapon without the assistance of a state sponsor. The focus on rogue states as objects of concern therefore seems appropriate.

Incorporating Environmental Concerns into Military Operations

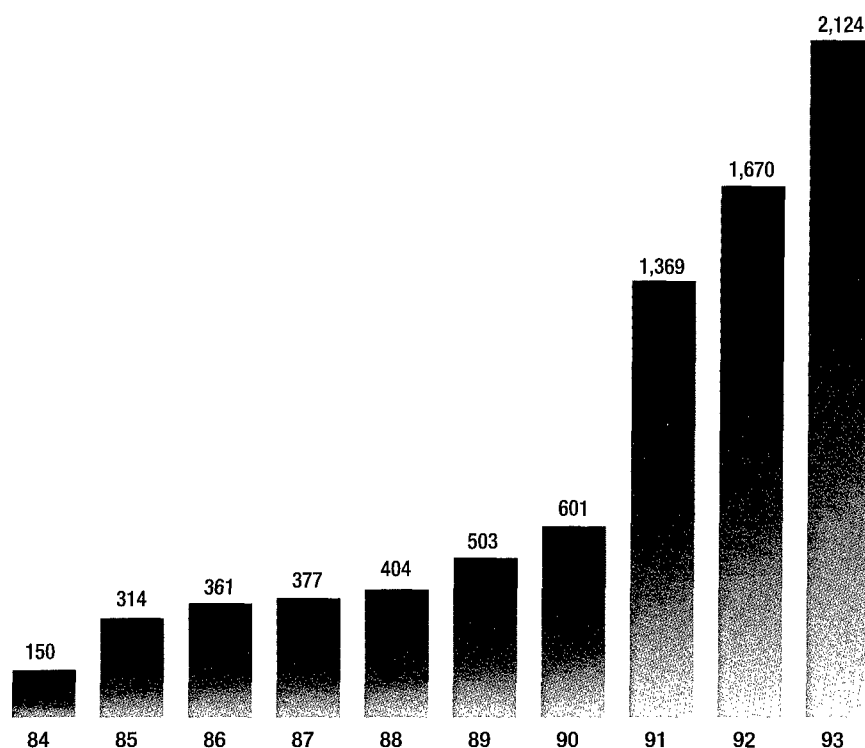
Environmental problems are unlikely to be the proximate cause for conflicts that would involve the U.S. military in the next few years. Most pollution, resource, and population problems take decades to unfold. Their effect also depends upon the adaptive capacity of nations and societies; it would be inappropriate to jump from environmental trends to predictions about impending conflict. In most cases, environmental problems aggravate existing political disputes, rather than being the immediate cause for conflict. An exception to this rule could arise from water disputes in the Middle East, such as a conflict over the Euphrates River involving Turkey, Syria, Iraq, or Iran.

Resolving environment problems also requires decades. International agreements will be the main means of addressing global environmental concerns. Washington will continue to be actively involved in promoting international commitments in this area, such as those made at the 1992 Rio Earth Summit or the September 1994 Cairo International Conference on Population and Development.

The U.S. military's role in such international agreements will be minor. One important issue, however, will be the reorientation of existing intelligence-gathering systems to collect environmental data, as envisioned by the Strategic Environmental Research and Development Program sponsored by Senator Sam Nunn (D-Ga). For example, the Navy's Sound Surveillance System (Sosus) network of 1,000 underwater microphones linked by 30,000 miles of undersea cables is regarded by oceanographers as a unique resource for gathering information on currents and other ocean phenomena. At the same time, Sosus is less important to the Navy now than it was during the Cold War, when the Soviet submarine force was a major worry.

Defense Environmental Restoration Expenditures, FY 1984-93¹

(\$ millions)

¹ Including base closure clean-up.

Source: Office of Asst. Dep. Undersecretary of Defense for Environmental Cleanup

The principal impact of environmental concerns on the military will be growing restrictions on peacetime military operations. Examples include demands to curtail training in order to reduce noise from low-flying aircraft, limit damage to fields and forests from ground exercises, and reduce land devoted to firing ranges and exercise facilities.

The Defense Department spent about \$5.5 billion on environmental programs in FY 1994, including \$2.0 billion on compliance with environmental regulations. The most costly environmental problem facing the U.S. military is cleaning up bases. The cost of base cleanups out of the earmarked Defense Environmental Restoration Account (DEAR) and the Base Realignment and Closure (BRAC) accounts mushroomed from \$6 billion in FY 1990 to \$2.6 billion in FY 1994. Much of the funding through FY 1993 went for preliminary studies on programs that are now ready to

be implemented, at a cost that would require a substantial funding increase. Present expenditure levels are woefully insufficient to implement cleanups at the pace mandated under the agreements with the Environmental Protection Agency. Further, laws passed in recent years authorize private citizens and environmental groups to take legal action against the Defense Department if it does not honor its agreements with the EPA. It will therefore be difficult to implement plans to cap such expenditures at the current annual level.

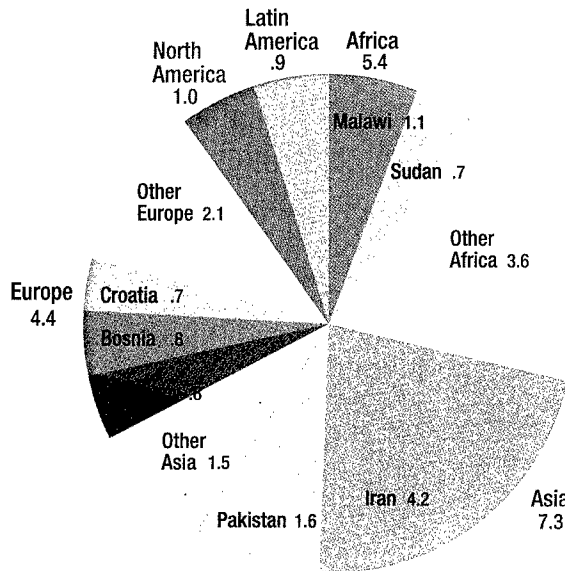
The initial expectation was that cleanup of closed bases could be financed through revenue from selling these bases. That has turned out to be entirely unrealistic. Communities have become skilled at acquiring valuable base land for free under the public benefit conveyance provisions—for example, the use of Fort Ord for a university campus. Because of the high cleanup costs, the closure of additional bases expected to be mandated in 1995 may actually increase DOD costs during the next five years. There is reluctance in the military to see more of the declining defense budget devoted to cleaning up bases—especially those being transferred for free to other public agencies. To many in the military, this seems to be more of a public works program than a military program.

Preventing Mass Exoduses of Refugees

While the principal responsibility for responding to humanitarian disasters, including mass refugee exoduses, will continue to fall to non-government organizations, supplemented by the office of the U.N. High Commissioner on Refugees and the U.S. Office of Foreign Disaster Assistance, the U.S. military will be called upon to assist such efforts. The military has instant access to a range of material and logistical resources in transportation, communications, and medical services that are simply not available to humanitarian organizations. In fulfilling this relief function, the U.S. military will confront several issues.

Working with Humanitarian Organizations. The military will inevitably be working with civilian agencies and charitable non-government organizations. Relations with these groups pose a challenge.

Refugees as of December 31, 1992 (millions)



SOURCE: UNHCR, State of the World's Refugees

Such groups' objectives and working methods differ from those of the military. Humanitarian organizations are often present in country for years before disaster strikes, and expect to stay involved long after the crisis has subsided. That in itself gives them a different set of concerns from the military, whose principal responsibility ends when disaster relief is delivered. Furthermore, in some cases, the charities' personnel are not well disposed towards the military.

The military is improving its ability to work with civilian development and relief agencies, including those of foreign governments, international organizations, and the private sector. Detailed procedures have been developed for working with such groups. Exercises with observers and participants from these agencies are being held to practice relief operations.

Balance Between Humanitarian and War Operations. The military has to be concerned with the balance between preparation for humanitarian relief operations and its other responsibilities. U.S. military procedures and equipment are not designed with relief missions in mind, which means that the military must spend more per ton to deliver aid than do charitable agencies. To reorient the military's procedures to make them more cost-effective for

aid and to retrain personnel to be more effective in aid missions could erode the forces' fighting edge. However, in the past, the U.S. military regularly balanced conventional military operations with relief and quasi-police operations. Indeed, those functions were the central role of the U.S. military during peacetime before World War II. That pattern might reassert itself.

Balance Between Disaster Relief and Preventing Conflicts.

None of the options for dealing with refugee flows are attractive:

- Forceful interception sits poorly with the U.S. self-image as a land of refuge for the oppressed. Even when interception commands widespread popular support, as in the cases of mass exoduses of Haitians and Cubans to Florida in summer 1994, such actions typically generate public and legal challenges.

- Providing permanent resettlement is not practical, given the public's reluctance to accept large numbers of immigrants; further, the experience with Vietnamese boat refugees demonstrates that offering resettlement can encourage even more refugees.

- Temporary asylum is not popular in industrial countries either, because of concerns that refugees will stay for the long term—as illustrated in European reactions to refugees from the former Yugoslavia.

- Establishing refugee camps in border zones often results in a race against death, with masses of frustrated people living at close quarters in unhygienic conditions, and entirely dependent upon outside sources for food and potable water—as so tragically demonstrated in the case of Rwandan refugees in Zaire.

- Repatriation is the only way to reverse the build-up of refugees. In 1992, 2.4 million refugees returned home, including 1.5 million to Afghanistan and 178,000 to Mozambique. However, voluntary repatriation must usually wait for a change in the domestic conditions that generated the flow of refugees in the first place. Furthermore, a continuing international military presence may be required to reassure returning refugees that they will be safe from violence and persecution. For example,



U.S. medical personnel checking on Somali patients at a U.S.-run medical facility in Mogadishu.

consider the case of Rwandan Hutus, who have been reluctant to return to their country after the departure of their French protectors for fear of reprisals by the new Tutsi-dominated government. Forcible repatriation, as with Vietnamese boat people in the late 1980s and Haitians in 1994, is generally not favored by the market democracies, and has been on a smaller scale. Overall, increasing the return flow of refugees to their countries of origin may require providing logistical assistance for the move, setting up on-site reception centers at the resettlement locations, and furnishing help in reintegrating refugees.

● Preventing mass refugee flows at their source usually requires maintaining a presence on the ground in troubled or disintegrating states, often in conjunction with efforts to mediate (as in Bosnia) or force (as in Haiti) the resolution of crises

that impel refugees to flee their homes. Examples of steps that might be taken at the source to stanch the flow of refugees include providing assistance to victims of ethnic conflict as close to their homes as possible, creating safe havens or secure areas where displaced persons can get help in relative safety, deploying troops to protect civilians from violence or expulsions in some areas, and protecting relief workers caught in the crossfire between opposing sides.

The problem is how to bottle up refugee flows in the short term while resolving the crisis that created refugee flight, in a manner that avoids entanglement in the deep-rooted conflicts of troubled and failed states. If too little is done, the military and relief agencies can become bogged down in protracted humanitarian operations. If too much is attempted, the U.S. and its forces might be perceived by one side as intervening in a conflict on behalf of the enemy, which can result in U.S. casualties and a loss of public support for the intervention. Of course, resolving a crisis may at times be possible through purely diplomatic means or through the actions of actors other than the U.S.—for example, coalitions assembled by regional organizations. Nevertheless, there are certain to be times when the U.S. military finds itself involved on the ground in failed states in order to prevent refugee flows.

Trends in the Sovereign State

During the late 1980's when authoritarian governments were collapsing *en masse*, some commentators insisted that an era of world peace was beginning, based on near-universal acceptance of individual freedoms, national self-determination, and the triumph of free market capitalism. The twin principles of the 1975 Helsinki Accords—the territorial integrity of sovereign states and government respect for popular rights, including political rights—appeared to have gained wide acceptance. Adam Smith had replaced Karl Marx as the universal economic prophet.

By the mid-1990s, however, it was evident that the trend toward democracy had faltered or even reversed in some countries. Nationalism had revealed its ugly side. And the most serious world economic downturn since the Great Depression had disillusioned many recent converts to the faith of capitalism and economic globalization.

Defining Trends

The Spread of Democracy and Respect for Human Rights is Proceeding Unevenly

During the late 1980s, the global advancement of democracy and respect for human rights made notable strides. The number of states under democratic rule nearly doubled between 1973 and 1990, while the total number of states barely increased. The percentage of the world's population enjoying democratic freedoms also rose—the most widely used data, from Freedom House, understate this shift in our view. Democracy and freedom spread thanks to two factors. One was dramatic: the sudden collapse of Soviet communism. The other resulted from slow accumulative increases in literacy and levels of education, as well as from greatly expanded access to communications technologies.

But from the vantage point of the mid-1990s, the global trend toward more democracy, respect for human rights, and individual freedom is making uneven progress. In the next few years, the further advancement of democracy and human rights will probably vary substantially in three different groups of states.

The first group is composed of certain states in Central Europe, Latin America and East Asia. The rapid rise in the standard of living of some East Asian countries over the past two decades has greatly increased the attractiveness of their economic and political systems. That model includes open embrace of free market economics and general access to modern technologies, followed by the establishment of democracy. Such a model is inspiring the new Central European and Latin American democracies. The chances for their ultimate success as market democracies seems high, based on the ongoing progress of the East Asian forerunners.

The second group is made up of states making the transition from authoritarian or totalitarian rule to democracy. By the early 1990s, professions of allegiance to democratic ideals became the international norm. However, in some countries, these declarations are presently no more than *pro forma* bows to world opinion. In others, democracy is under severe pressure. Many new democracies have discovered problems in reconciling group rights and individual freedom with political stability. Severe contractions of national economies have frequently turned public opinion against democratic reformers who were raised to leadership in the wake of the Soviet Union's disintegration, most notably in Russia itself.

It seems possible that, in the next few years, a number of recently established democracies will slip backward to one or another form of authoritarian rule. It is impossible to predict which transitional states will fail to sustain democratic institutions in the short term. But important indicators of potential challenges to democracy are human rights abuses, limitations on freedom of the press and of assembly, abuses of police and judicial powers, and harassment of opposition political parties.

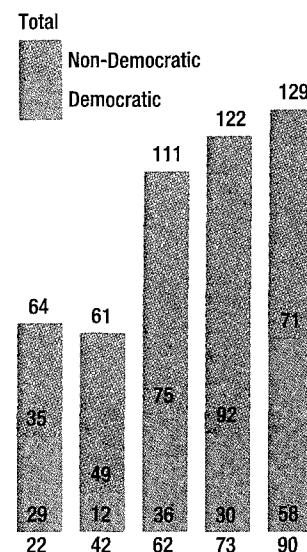
The third group is troubled states. Democracy depends on the establishment and survival of the institutions of civil society. These democratic foundations are proving painfully hard to maintain in poorer states, including many African countries. Since the introduction of democracy and respect for human rights threatens many entrenched interests in pre-de-

mocratic states, such interests will frequently resist such changes, sometimes with violence. Under such circumstances, democracy may collapse under the weight of political conflict or civil war.

Thus, in contrast with the heady optimism of the late 1980s, there are now grounds for concern about the worldwide future of democracy and respect for human rights. But cases of failure or backsliding should not distract us from the reality of overall progress. Great struggles lie ahead before all mankind is free. But compared to the situation of twenty years ago, democracy and respect for the individual have become the acknowledged norm toward which the countries of the world are aspiring.

The difficulties in democratic transition being experienced by the transition states should not offer serious alarm about the bright future of democracy over the long run. History suggests that the creation of fully secure and deep democratic systems can take decades. Even in the United States, some fifty years passed between the Declaration of Independence and the creation of Jacksonian democracy, which was still limited to white males. The democratic spark of the First and Second French Republics was soon snuffed out, and France only acquired a stable democratic system

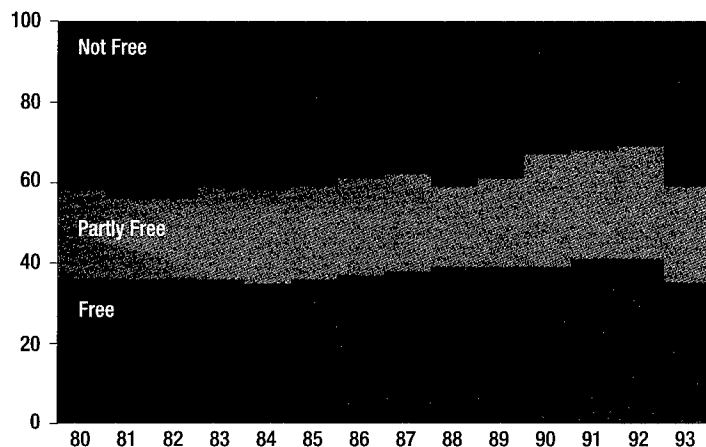
Democratic States and Total Number of States, 1922-90



SOURCE: Samuel P. Huntington, *The Third Wave*, 1991.

NOTE: Covers only countries with a population of over one million.

Percent of World Population Living in Free, Partly Free, and Not Free Countries, 1980-93



SOURCE: Freedom House, with India 1991-93 reclassified as free.

in the last quarter of the nineteenth century. Even under the favorable conditions created by developments stretching back to Classical times, many other nineteenth and twentieth century European democracies have floundered—Spain, Italy, Germany, and Russia all endured decades of authoritarian rule.

One factor which may assist democratic forces is the more active pro-democracy stance being taken by the community of states, whereas military corps were once common in Latin America, the 1991 military overthrow of an elected government in Haiti created a situation that was judged by the Organization of American States and the United Nations to be a threat to peace. The U.N. Security Council authorized the use of military force to restore the democratically elected government.

With the global diffusion of democracy, it has become clear that what is meant by "democracy" varies from state to state as a result of differing cultural influences. When democracy was largely confined to North America and Western Europe, it had a relatively unambiguous definition based on the values of the North Atlantic community. But in states outside of this community, the greater importance attached to religion, ethnicity, or group consensus gives democracy a different flavor than in

states with direct cultural links to the Reformation, the Enlightenment, the American and French Revolutions, and the struggles for civil rights.

Even within the West, there is disagreement about the meaning of democracy. In Italy, for example, the neo-Fascists (who prefer to call themselves "post-Fascists") claim to espouse democracy, yet also insist on policies and principles that many others see as incompatible with democracy, such as the idea that public order is a higher priority than individual freedom, and that the rights of the state take precedence over those of the individual. Similar notions have been put forward by some political leaders in France, Austria, Croatia, Hungary, Russia, and Japan.

Globalization Has Weakened Old Concepts of State Sovereignty

Late twentieth-century economic, social, cultural, and technological developments—including huge concentrations of capital in multinational corporations, the allure of Western popular culture and mass consumerism, the ubiquitous reach of international television broadcasting, the spread of international criminal organizations, movement of people on an unprecedented and sometimes unmanageable scale, the transnational impact of environmental changes and disasters, and the growing power of international organizations—have frequently overwhelmed the power of states based on eighteenth-century ideas of sovereignty.

This weakness is particularly acute for multi-ethnic developing countries that inherited inappropriate nation-state models of organization from their colonial masters. Much of the population of such states, lacking strong allegiance to governments with which they share little sense of identity and from which they receive nothing, are easily attracted to other power centers. But even for successful countries based on the nation-state system and with close ties between citizens and government, globalization has often unleashed forces that overwhelm sovereignty.

The response of populations with a strong sense of nationhood has frequently been xenophobia aimed at the supposed source of transnational interference in national affairs. The increasing antipathy of many Western Europeans toward Eastern European and North African immigrants, and the hostility of many Islamic populations toward Western popular culture, are two striking examples of this phenomenon. In states suffering from ethnic or regional divisions, the effect of globalization has frequently been to nurture divisive tendencies, which tend to grow in parallel with a sense of rage or disdain for the impotence of central governments.

Trouble often arises when less developed countries attempt to acquire or emulate aspects of Western society and culture that are realistically beyond their grasp at the moment. For example, less developed nations may be unable to provide the waste disposal necessary for the safe removal of the by-products produced by the use of Western goods, and many of the cities in the poorer countries of Latin America and South Asia are now badly polluted by petroleum by-products.

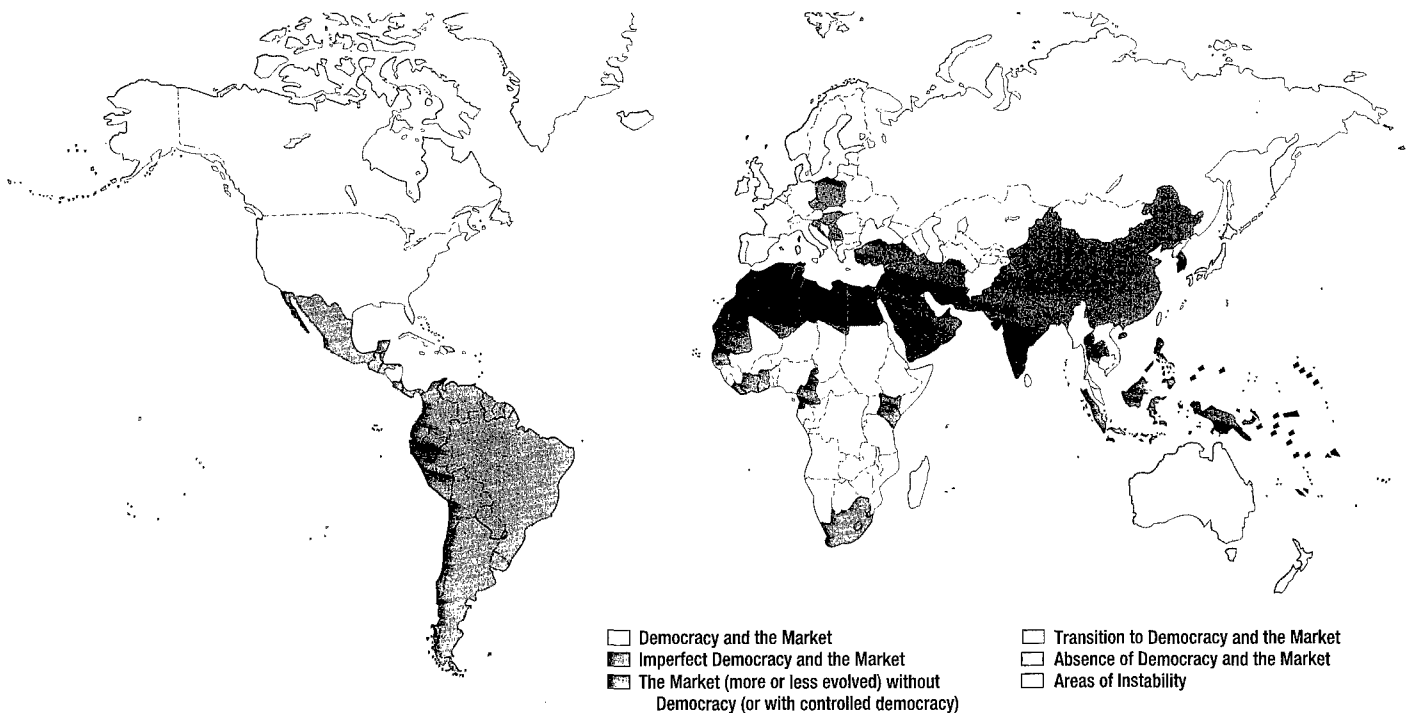
The near-universal broadcasting of American-produced television programs has saturated the developing world's viewers with seductive images of the U.S. standard of living. This has created a gigantic market for Western goods and services, but it has also raised expectations to unrealistic levels among many populations, which may result in social unrest in places where governments and economies are unable to meet such demands.

Ethnic, Regional, and Religious Tensions Have Become More Acute

Divisive regional, ethnic, and national tensions have promoted war and violent conflict within and among states in areas ranging from the Balkans and the Caucasus to Sub-Saharan Africa, Central Asia, and South Asia.

In general, nationalism enjoys more strength as an ideology than ever before. Thanks to the spread of modern communications and formal education, nationalist

Democracy and the Market in the World



SOURCE: Instituto per Gli Studi di Politica Internazionale, *Which Capitalism: Markets and Democracies in the New World Disorder*. Reprinted with permission. INSS does not necessarily agree with the classification of every country.

stirrings have awakened among populations who have been denied national self-determination, but were previously passive. Emigrants at great distances from their lands of origin are now able to agitate for the independence for their ancestral homelands. Modern broadcasting and information technologies allow easy penetration of borders by ideas and propaganda. The huge increase of global population has increased the size of many groups to the level where national independence has become possible for these groups for the first time. Without suggesting that such ethnic groups will actually gain their independence, one might cite the Chechens of the northern Caucasus or some indigenous peoples, such as the Greenland Eskimos.

Another aspect of nationalism in developing countries is its frequent expression in religious terms. The use of religion to advance a political agenda was the norm throughout the Western world until the emergence of modern mass political parties in the nineteenth century. In many other parts of the globe, such an overlap of religion and political movements is still common. The combination of fundamentalist religious attitudes with hyper-nationalist politics has proven highly appealing in certain developing countries, including Algeria, Egypt, Sudan, Iran, Afghanistan, Tajikistan, Pakistan, India, Bangladesh, and Indonesia.

Unfortunately, religious nationalism often threatens the safety of religious minorities, the survival of multi-religious states, and the security of neighboring states. If successful, religious nationalist movements might seek to redraw many of the borders in the vast swathe of territory stretching from the North African-Mediterranean region across the Middle East to Southeast Asia.

The appearance of new nations and the fracturing of existing multinational states is likely to continue over the medium term, though not necessarily in the next few years. Governments of existing states are often reluctant to promote the ideal of national self-determination for fear of conflict and upsetting of international order. There are no easy solutions to the vexing challenges presented by demands for the creation and recognition of

new nation states. Clearly, not all national aspirations can be fulfilled, lest the international order dissolve into interminable chaos and division. But neither should nationalist demands be categorically dismissed as threatening or irrational. Many existing states with a history of domestic peace and progress were created from very small populations on quite limited national territories, some quite recently. Ireland, Denmark, Portugal, Greece, Israel, and Singapore are some examples.

The Prospects for Progress Toward Democracy and Stability Vary From Region to Region

Movement toward the fulfillment of democratic and national ideals may be slow in the transitional states and erratic at best in the troubled states. People generally require social stability, a minimal level of education, and a degree of prosperity before they can develop a secure sense of national identity and a respect for human rights and democratic processes.

In the transitional states in Latin America, much of East Asia, and Central/Eastern Europe, the preconditions for progress toward a system of stable, democratic nation states have, with a few notable exceptions, been established in recent years. It is reasonable to expect the growth of healthy sovereign states throughout those areas in the next few decades. The concept of national self-determination is generally respected in these regions. But the movement toward the stability of democratic, sovereign states will almost certainly experience temporary setbacks in at least a few transitional states. Some of those states could slip into the troubled category.

Favorable conditions for building national consciousness do not prevail in troubled states, and appear unlikely to do so for decades. Between the Sahara and the Kalahari, many states are losing their grip on internal peace and effective government, and a number of them are mired in or approaching a state of chaos. Some of these states simply may not survive within their present borders. In fact, over the next

few years, Africa is almost certain to present the United State with its most pressing challenges regarding human rights, individual liberties, and the territorial integrity of recognized states.

U.S. Security Interests

Spreading Democracy

For both idealistic and practical reasons, the U.S. has long been committed to the spread of democracy worldwide, aiming toward the day when it becomes the universal political system.

Supporting Legitimate National Aspirations

Since the First World War, the U.S. has also advocated the right of peoples to determine their own future. But U.S. support for legitimate national aspirations is more qualified than the U.S. commitment to the spread of democracy. Carried to an extreme, the ideal of self-determination can promote divisive regionalism, interethnic warfare, and the fragmentation of states into ungovernable subunits, all of which endanger peace and democracy. As a result, the U.S. has been more cautious in advocating universal application of the principle of national self-determination. Indeed, as illustrated by U.S. support for the European Union, the North American Free Trade Association, and the unity of multi-national states such as India and South Africa, Washington for practical reasons has often encouraged or accepted supranational units.

On the other hand, Washington usually opposes the repression of legitimate national aspirations. U.S. protection of Macedonia and the Kurds of Northern Iraq, pressure on Israel to allow a measure of Palestinian self-rule, recognition of Slovenia, and decades-long advocacy of the restoration of the independence of the Baltic Republics are cases in point. The challenge for Washington will be to determine precisely how to differentiate between legitimate expressions of national aspirations and destructive tribalism, and to thus promote national self-determination but discourage factionalism and inter-group intolerance.

Coping with Globalization

Globalization offers many opportunities to expand markets for U.S. products and services, and to increase U.S. political and cultural influence. However, the United States is not immune from the negative influences of globalization, such as the diminution of U.S. sovereignty and autonomy in an increasing number of areas. The role of international broadcasting in influencing both world and U.S. public opinion during the Gulf War offers both positive and negative examples of these phenomena. On the one hand, CNN news broadcasts presented much of the Middle Eastern ruling class with more effective arguments for U.S. intervention against Iraqi aggression than any old-fashioned propaganda could have provided. On the other hand, Saddam Hussein and his spokesmen were able to address the English-speaking world without interference from the governments of the anti-Iraq coalition.

To a large degree, the globalization process represents the attainment of U.S. ideals of free flows of trade, persons, and ideas. Furthermore, the U.S. is isolated by its surrounding oceans and protected by its strict environmental laws and large territory. It boasts a large and rich domestic market, political stability, and well-enforced laws governing financial and corporate activity. Thus, the United States is less threatened by the negative aspects of globalization than most other countries. Therefore, globalization offers considerably more advantages than disadvantages to the United States. While recognizing the threats inherent in globalization, the U.S. appears likely to continue to support its development.

Key U.S. Security Policy Issues

Weakened by globalization that undermines their authority and wracked by destructive ethnic or religious radicalism, the troubled states run the risk of turning into failed states. Humanitarian disasters will occur repeatedly, and the



Voting in South Africa's first multiracial election.

Source: Gamma Liaison.

U.S. military will often be tasked to assist with disaster relief and restoring order. The issues related to the military's involvement in humanitarian disasters are discussed in the transitional threats chapter.

Balancing the Goals of Democracy, Human Rights, and National Self-Determination With Other U.S. Interests

During the Cold War, the American government could take refuge in the knowledge that it sometimes had to bend or compromise its principles for the greater good of defeating Soviet communism. Thus, Washington often formed alliances with or provided aid to governments that abused the rights of their own people. It also backed away from war rather than defend the Hungarian Revolt in 1956 or the "Prague Spring" in 1968. But following the collapse of the Soviet Union, Washington no longer enjoys this shield against criticism of failures to live up to its ideals.

One policy direction is for the United States to deal with challenges to democracy and human rights through the United Nations. But in the few years since the end of the Cold War, a number of instances have already arisen in which the U.N. has shown itself to be either unwilling or unable to take

effective action, due in part to disagreements among the major powers and in part to problems with the U.N. as an organization. Furthermore, when the U.N. does act, it usually does so through economic sanctions that are slow to show results.

When the U.N. takes no effective action or when public opinion grows impatient and demands results, Washington has shown some willingness—particularly in its own hemisphere—to use force in the cause of democracy and human rights. Although military actions that primarily aim to support or restore democracy are still quite rare, recent interventions in Panama and Haiti seem to fit this description.

But it is one thing to achieve consensus within the international community to use force to defend democracy and human rights against the actions of a relatively weak state and another to confront a powerful state, such as China, over the same issues. On another front, the U.S. may have to decide how to balance its desire for good relations with two major powers—Russia and China—against the principle of support for the national rights of minorities in areas such as the Caucasus and Tibet, not to mention the issue of Taiwan's status. Over the next few years, the United States is likely to face other painful choices between paying a high price for standing up for its principles or avoiding conflict but being perceived as hypocritical, dishonest, or weak.

Promoting Militaries that Respond to Civilian Control and Respect Democracy and Human Rights

In this new era, the United States will be required to cooperate with the armed forces of ex-authoritarian states, whose overriding purpose has been—and in some cases continues to be—preservation of the institution itself. In these situations, the U.S. military can play an important role by engaging these institutions and striving to convince them that support for democracy requires more than just a modicum of tolerance for a free press and elected government.

In those cases where armed forces have already made a commitment to encourage the institutionalization of the

democratic process, this cooperation takes the form of military-to-military contacts, joint training exercises, and the integration of military education systems. In nations such as Argentina, Venezuela, Thailand, South Africa, and Ukraine, this process has proceeded relatively smoothly, and has proved mutually beneficial.

However, in other cases, the superficial nature of change within the military makes such interaction more challenging and contentious. In such militaries, the distinction between internal security and external defense has been blurred for generations. In some cases, armed forces routinely performed police functions, often compiling a long history of human rights abuses and lack of respect for civilian authority. Such ingrained attitudes will not change overnight.

A central ingredient of U.S. policy towards such military establishments has been to encourage the separation of internal security and police functions, and their placement under distinct civilian departments. Once this separation is accomplished, the most pressing need for the armed forces in question is normally to gain a measure of legitimacy in the eyes of their own people. U.S. military cooperation teams can support this goal by offering training and education in civic action projects and initiatives aimed at shoring up the reputation and prestige of military forces at the local and regional levels. For example, local armed forces have derived great benefit from the deployment of over 63,000 men and women of the U.S. military in over 4,000 projects in Latin America in FY 1994. The personal example set by U.S. armed forces has done much to convince many foreign militaries that respect for the law, protection of the environment, care and consideration for citizens, and subservience to civilian authority are critical to the building of true democracy.

U.S. military authorities have also been assisting in the formation of cadres of civilian government security specialists who can earn the respect of their military counterparts. Without such civilian specialists, ministries of defense risk being overrun by active and retired military officers who function without the checks and balances afforded by the presence of competent civilian watchdogs. The U.S. military has also been active in training military personnel to work under civilian oversight. For example, in August 1994, courses on this issue for East European military personnel began at the Marshall European Center for Security Studies in Germany, part of the U.S. European Command.

In sum, the U.S. military will continue to play a vital role in reshaping the militaries of ex-authoritarian states, so that these militaries come to see themselves as the supporters and protectors—not the victims—of democracy.

Economics

Steadily increasing flows of goods, services, technologies, and capital across borders are generating growth and raising incomes, and may produce some measure of benign integration among nations. But there are worrisome prospects as well that could threaten harmony among nations and pose threats to the United States, unless they are adequately countered or managed.

Defining Trends

Economic Activity is Becoming Globalized

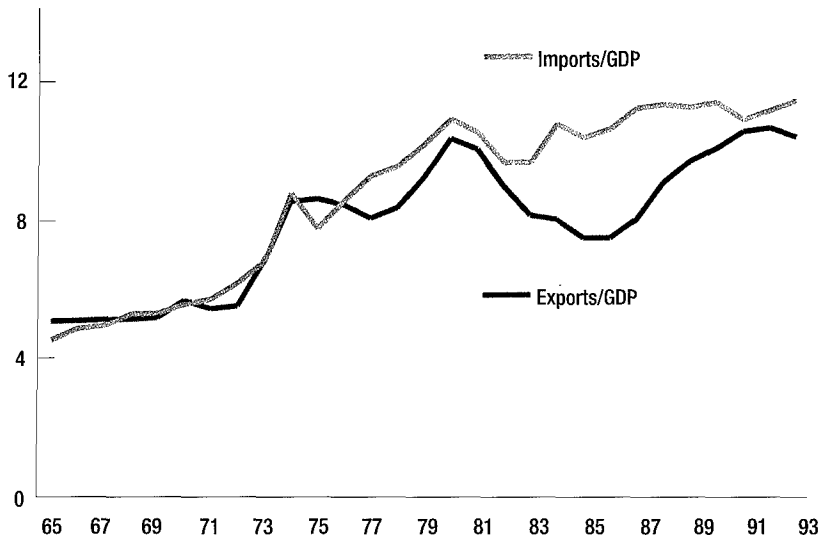
A growing proportion of the world's economic transactions consists of international flows of goods, services, technologies, and capital. Since 1950, world merchandise exports have expanded at an average annual rate of approximately 6 percent, compared to 4.5 percent annual growth in world output. In the past three decades, international trade in services has grown more rapidly than merchandise exports. In 1994, international trade in goods and services will approach four trillion dollars per year.

For the United States, the share of GDP represented by exports of goods and services has more than doubled since 1965, from less than 5 percent to almost 12 percent, for a total of \$460 billion in 1993. Imports have also grown in importance to the U.S. economy, rising to a postwar high of 13 percent of GDP in 1993.

Foreign direct investment (FDI) has grown even faster than trade. In the past decade, FDI flows have expanded by 27 percent per year, or seven times faster than the growth in output of the countries from which these flows originated. In terms of the global stock of FDI, the U.S. occupies first place as both an investor (accounting for 25 percent of the global FDI stock) and as a recipient (hosting 22 percent of the global FDI stock). The interaction between foreign direct investment and trade is becoming increasingly apparent. In 1990 (the most recent available data), multinational enterprises were responsible for more than 75 percent of U.S. merchandise trade, with approximately 40 percent of that trade consisting of intrafirm transactions.

Technology has also been undergoing a process of globalization. International comparisons of patenting, R&D expenditures, and density of scientific and engineering personnel show a dispersion of

Exports and Imports of Goods and Services as Percent of GDP



SOURCE: Dept. of Commerce

technical competence and technological resources. The growth of trade in technology-based products has been faster than the growth of trade of resource-based or labor-intensive products. Further, the post-war historical pattern of predominately "one-way" flows of technology out of the U.S. has been significantly altered. The National Science Board has found that transfers of technology into the United States have increased substantially in volume and importance over the past twenty years.

For the U.S., exports of advanced technology products have been rising at twice the rate of total merchandise exports. (The ten standard advanced technology product categories are biotechnology, life sciences, opto-electronics, computers and telecommunications, electronics, computer integrated manufacturing, material design, aerospace, weapons, and nuclear technology.) Over the same period, imports of advanced technology products have been rising three times as fast as total merchandise imports.

There is abundant evidence that this process of globalization of goods, services, capital, and technology has benefitted the United States. The U.S. is the world's largest exporter. One in six U.S. manufacturing jobs is devoted to exports, and export-related jobs pay wages that are approximately 19 percent above the U.S. average. From 1989 through 1993, four-fifths of the increase in

U.S. domestic manufacturing production consisted of exports. Nor should one fall into the trap of thinking that only exports are good, and imports are somehow "bad." Imports provide new, better, or cheaper products and inputs to satisfy consumer and producer needs.

As for FDI, inward investment into the United States has provided 4.7 million jobs for Americans and generated \$4.1 billion in new domestic R&D. Outward investment from the U.S. has, contrary to popular belief, acted as a magnet for U.S. exports and has generated more jobs at home than would have otherwise been the case.

Regions Are Forming Trade Blocs

Buried beneath the globalization of international economic activity is potentially disturbing evidence of emerging regional preferences and exclusivities.

The General Agreement on Tariffs and Trade (GATT) established a regime in which each member accorded others the status of Most Favored Nation (MFN), so that all trading partners were treated equally. This was intended to avoid a repeat of the disastrous division of the world into trading blocs in the 1930s. Yet GATT has always included an important exception to the MFN principle via Article 24; regional groupings could form areas of freer trade among themselves as long as explicit trade barriers against non-members were not raised. In the 1980s, the trend has in fact been toward greater regionalism. In each of the three major economic areas of the world, there has been an increase in intra-regional trade: from 23 percent to 29 percent in East Asia, from 27 percent to 29 percent in the Western Hemisphere, and from 54 percent to 60 percent in Europe.

Even after factoring out the impact of natural determinants of trade patterns (such as geographic proximity and absolute size of the nations in question), as well as the influence of common languages and cultural affinity, it appears that such patterns do indeed indicate the emergence of significant trade blocs in Europe, the Western Hemisphere, and the APEC region. The

greatest intra-regional bias is in the APEC region, while the most rapid trend in this direction is in Europe. Since NAFTA has only recently come into being, a fresh spurt of bloc-oriented activity in the Western Hemisphere may be seen in the near future. (There has been no attempt to measure the emergence of a ruble-bloc in the CIS area; however, recent attempts by Russia to reintegrate the economies of parts of the former Soviet Union suggest that such a development may be underway.)

Zero-Sum Rivalry in High Tech Industries May Be Emerging

In conventional economic analysis, the globalization phenomenon yields positive-sum results. The gains to any nation from trade in goods and services, and from transfers of capital and technology, typically outweigh the costs by a large margin. New analytic concerns have arisen, however, about whether free trade produces

positive-sum outcomes in what are known as "strategic trade industries." (In this context, "strategic" refers to the oligopolistic character of the industry, not its military significance.) Examples of such industries include aerospace, advanced materials, computers and supercomputers, semiconductors and microprocessors, and biochemicals. Strategic trade theory focuses on industries where markets do not work perfectly—specifically, those with a limited number of large firms because of economies of scale, high technological barriers to entry, and production processes marked by a high level of learning-by-doing. From any country's point of view, strategic trade industries are desirable not only because they incorporate a large proportion of high-wage, high-skill jobs, but also because they are likely to generate economic, social,

or defense-related benefits above and beyond their strictly commercial value.

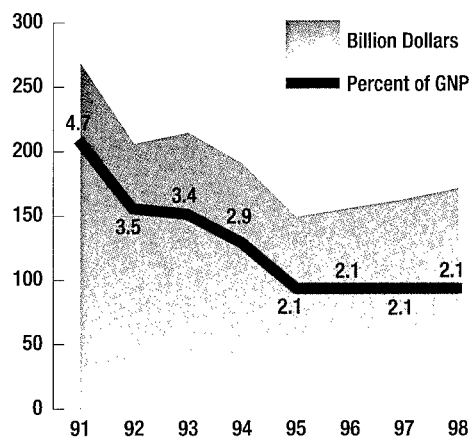
National authorities generally want to ensure the presence of national firms in strategic industries. For example, the U.S., Europe, and Japan all want to be major players in aerospace, telecommunications, microelectronics, and advanced materials. Yet the large economies of scale in these sectors mean that global markets will only sustain a few production sites. Consequently not every country, even every major country, can expect to have an extensive presence in every key high-tech sector. This can lead to a beggar-thy-neighbor duel of national policies that aim to support one's "own" firms in strategic sectors at the expense of competitors.

Foreign Investment in the U.S. Has Led to Fears of Foreign Control and Domination of Key U.S. Industries

The U.S. has long preached the benefits of foreign investment to host countries around the world, and has urged that foreign investors be granted treatment equal in every way to that accorded indigenous firms. This was a natural stance in the first three decades after World War II, when U.S. multinational corporations accounted for 40 to 50 percent of the total stock of global FDI. This perspective has come under intense scrutiny in recent years, however, as the U.S. has itself become a major host for foreign investors. Whereas the U.S. was the recipient of only about 11 percent of the total stock of global foreign investment in the 1970s, the percentage has more than doubled today.

Forty percent of the stock of FDI in the United States is concentrated in manufacturing. In the aggregate this amounts to only about 15 percent of total U.S. manufacturing assets. However, using conventional U.S. accounting definitions of "control" (ownership greater than 10 percent of the voting securities), foreign corporations can be shown to control one-half of the U.S. consumer electronics industry, one-third of its chemical industry, 70 percent of its tire industry, 20 percent of its automo-

U.S. Government Structural Budget Deficits

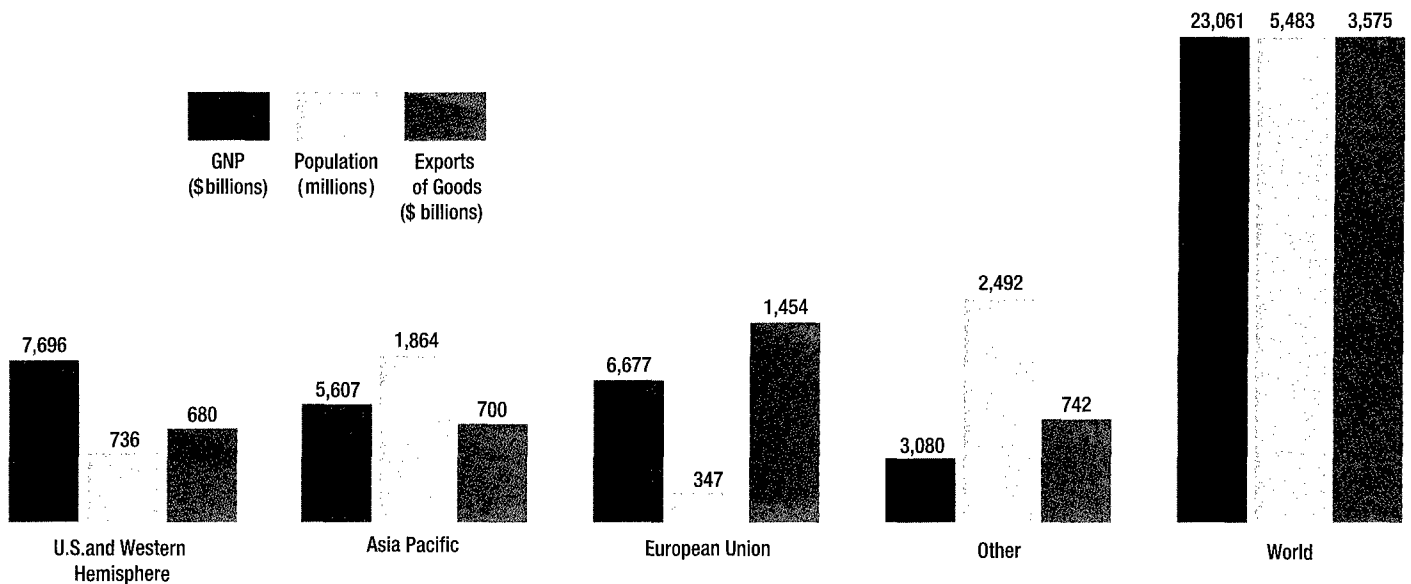


Sources: Council of Economic Advisers, Congressional Budget Office, Office of Management and Budget, and Department of Commerce. From *Economic Report of the President*, 1993 and 1994.

NOTE: Data for 1994–98 are forecasts excluding health reform.

they are likely to generate economic, social,

Relative Size of Economic Blocs, 1992



SOURCE: World Bank, World Development Report 1994.

tive industry, and almost 50 percent of its film and recording industry.

Moreover, in "critical technology" industries, as defined by the Department of Defense and the National Science Adviser, much of the foreign investment has occurred via acquisition of existing American companies. According to the U.S. Department of Commerce, there have been in recent years more than four hundred foreign takeovers in microelectronics, aerospace, telecommunications, and advanced materials, totalling 46 percent of all cases and 79 percent of the total value. Thus, whatever the benefits from foreign investment, there begin to arise questions of foreign control and domination of key U.S. industries.

U.S. Security Interests

Strengthening the U. S. Economic Base by Enhancing Productivity

The broadest economic national interest for the United States is to strengthen the economic base in ways that provide a higher standard of living, enhance the economic well-being of citizens, generate confidence and support for U.S. engagement abroad, and increase U.S. stature and strength on the world stage.

Keeping International Economic Interaction Multilateral and Mutually Beneficial

Efforts to lower barriers to the free flow of goods, services, capital, and technology across borders will reinforce growth, raise living standards, and—if combined with appropriate adjustment policies for those who must absorb the costs of trade—produce domestic polities with an interest in stable relations among states. Of particular importance is the need to integrate the economies of Central and Eastern Europe and the former Soviet Union into the global economic system by providing greater market access for their products.

But efforts at international economic integration will have less salutary effects should they lead to the creation of exclusive economic blocs that could result in exclusive security alliances—or, in the worst case, antagonistic security alliances.

Maintaining U.S. Leadership in High-Tech Industries

As indicated in the previous section, the United States must be careful that it is not left out, or forced out, of strategic industries by the policy actions of other

states. Clearly, there is some tension between pursuit of this interest—which could have zero-sum dimensions in some cases—and the U.S. interest in fostering positive-sum international economic interactions.

Maintaining an Economic Base for National Security Interests

Further U.S. economic interests that are more directly related to traditional security concerns include (1) managing U.S. dependence on imports and foreign technology so as to minimize the potential for foreign control and domination, especially in defense-related sectors; and (2) maintaining an appropriate defense industrial base in an era of declining defense budgets and increasing dependence on foreign inputs.

Key U.S. Security Policy Issues

The benefits of opening borders economically, however large in the aggregate, are widely dispersed, whereas the costs are concentrated. Thus, those who suffer the pain of adjustment have a larger incentive to bring political pressure to bear than those who enjoy the benefits. In short, the “low politics” of domestic interest groups vying for protection may well predominate over the “high politics” of the national interest—even when the latter has security implications.

In the aftermath of World War II, the United States economy had not yet experienced globalization, and U.S. preeminence in almost all major industrial sectors generated a confidence that is much less evident today. In this setting, the U.S. could tolerate a considerable degree of protectionist and nonreciprocal behavior on the part of allies in Europe and Asia, while keeping its own incipient domestic pressures for special treatment under control in the name of Cold War solidarity. Economic tensions among the major industrial powers, when they did arise, could be tucked away under the common security blanket.

Today, the globalization of the U.S. economy is more evident, the adjustment

costs are greater, the U.S. no longer enjoys across-the-board industrial dominance, and the common bond of the Cold War is a thing of the past. A widespread hypothesis holds that the U.S. will now be less willing (or able) to take the longer term vision of the common good and bear a disproportionate share of the costs of maintaining a harmonious international economic system.

Perhaps the single most important test of whether special-interest “low politics” will supplant “high politics” in trade policy will be on the issue of enhancing market access for exports from the former Warsaw Pact countries. The U.S. has a major national interest in seeing that trade and investment supplement and eventually replace aid in underpinning market-based reform in Russia, Central and Eastern Europe, and the rest of the former Soviet Union. Yet so far, even modest initiatives to ease protectionist barriers (particularly anti-dumping barriers) against products from these countries have aroused strong opposition from the threatened industries.

Promoting Power Through Prosperity

There is a national security rationale to take steps that will strengthen the competitiveness of firms and workers in the United States. Higher productivity (or enhanced “competitiveness,” as some prefer to call it) not only creates prosperity at home, but also augments a country’s power in the international system by furnishing resources and capabilities to meet external challenges. Both international stature (“soft power”) and concrete military capabilities (“hard power”) typically accrue to a country with greater industrial and technological prowess.

On the macroeconomic front, the most fundamental step to strengthen the U.S. economic position would be to alter the underlying balance between savings and consumption in the United States. This would enable the U.S. to invest a greater proportion of its wealth in plant and equipment, R&D, and human capital. As long as the U.S. consumes more than it produces, it will continue to run a trade deficit and accumulate obligations to foreigners against U.S. assets. As long as it does not save enough to reequilibrate this

balance, it will have to rely on foreign funds to renovate its industrial base—or, worse, simply slow the rate of renovation. A nation that is turning over the assets of the current generation to foreigners, or mortgaging the assets of future generations to current consumption, is likely at some point in the future to find its freedom of action and ability to influence events in the international arena constrained.

While the U.S. is still out of macroeconomic balance, the trends of recent years are promising. The largest single contributor to national dissaving, the federal budget deficit, is on a trajectory that will take it from 4.7 percent of GDP in 1991 to 2.1 percent of GDP in 1998, if fiscal discipline can be maintained. At the same time, investment rates for plant and equipment, and for R&D, have been rising. New initiatives to expand investment in human capital (especially in the area of vocational and work-related training) have been launched. If the trend towards human capital investment is reversed, the evidence suggests that the U.S. firms may substitute capital for labor, that is, the U.S. may develop a more highly automated economy with a more low-skilled workforce. This would exacerbate the difficulties of maintaining domestic support for constructive engagement in the international system and heighten the pressures for short-sighted protectionism.

Avoiding the Creation of Closed Economic Blocs

Avoiding the creation of closed economic blocs may require a surprising level of subtlety in framing U.S. policy. If the threat sprang from the construction of overt walls of protectionism such as high tariffs, as happened in the 1930s, national leaders might find it easier to call forth concerted action to prevent it. But the policies that are pushing regional free-trade zones in the direction of exclusive blocs are much more arcane—"rules of origin" specifying the amount of domestic content required for a product to qualify as an internal product, obstructive anti-dumping regimes, preferential subsidies to particular regions, government rewards for engaging in local R&D, and similar policies. In short, the devil is in the details, far below the

horizon of most economists, let alone national security strategists.

The most straightforward way to counter the drift toward exclusive blocs is through persistent efforts to keep the liberalization of trade, investment, and technology flows on a multilateral track. The most powerful multilateral impetus will come from implementation of the Uruguay Round. The Uruguay Round is the largest global trade agreement in history, reducing industrial tariffs by more than one-third, imposing meaningful limits on subsidized agricultural exports, and—for the first time—reducing trade barriers in services and intellectual property, where the U.S. has a solid comparative advantage. It promises to add approximately one trillion dollars to world output, of which almost \$200 billion will accrue to the United States.

There is some concern that the World Trade Organization (WTO), established under the Uruguay Round GATT Agreement to settle disputes arising from the new trade regime, may undermine U.S. sovereignty. WTO rulings are not binding on any domestic legislature or agency, so in this sense, U.S. sovereignty and the force of U.S. trade laws remain intact. However, in the case of an adverse ruling with which the U.S. refused to comply, the nation that lodged the complaint could retaliate via trade restraints against U.S. products.

A second method to counter the creation of exclusive regional economic arrangements is to ensure an easy and transparent method of accession into blocs. A key case in point will be the creation of accession procedures for NAFTA. For example, will NAFTA ultimately extend not only to other nations in the hemisphere, but to countries in Asia (Singapore, Korea) and elsewhere (the Visegrad countries of Central and Eastern Europe) as well, as some have suggested? Equally important will be the question of whether accession agreements and other market access arrangements eliminate quotas on sensitive industries, prohibitive anti-dumping regulations, import surge mechanisms, and other protectionist devices.

U.S. Advanced Technology Trade (percent change)

	1982-88	1989-92
Total Merchandise Exports	49.0	28.3
Advanced Technology	98.9	28.1
Biotechnology	40.9	
Life Science	37.6	
Opto-Electronics	10.8	
Computers and Telecommunications	23.4	
Computer Integrated Manufacturing	11.1	
Electronics and Advanced Materials	234.8	
Aerospace	38.7	
Weapons	18.5	
Nuclear Technology	7.1	
	1982-88	1989-92
Total Merchandise Imports	80.7	12.6
Advanced Technology	226.3	28.7
Biotechnology	43.5	
Life Science	61.7	
Opto-Electronics	173.6	
Computers and Telecommunications	247.6	
Computer Integrated Manufacturing	214.5	
Electronics and Advanced Materials	37.3	
Aerospace	38.0	
Weapons	23.2	
Nuclear Technology	30.0	

SOURCE: Author's calculations. John Sullivan Wilson, "The U.S. 1982-93 Performance in Advanced Technology Trade," *Challenge*, January-February, 1994.

Finally, there might well be an effort to harmonize, on a global basis, those elements of regional economic agreements that are most distortionary, such as rules of origin and anti-dumping procedures.

Promoting High Technology Industries

As indicated earlier, a theoretical case can be made for government intervention to support national participants in key high tech industries where simply allowing markets to work may be dangerous from a national security as well as from an economic point of view.

Objections to strategic trade intervention arise first of all from practical considerations of implementation. There is the problem, as in all industrial policy debates, of devising criteria for picking winners and losers that work better than the market. In addition, there is the issue of pork-barrel and special-interest politics contaminating the selection process. As a result, despite an

appealingly rigorous justification for public sector support for high tech industries with large economies of scale and dynamic learning-curve advantages, the prospects for creating an effective national policy in this area may be less than favorable.

But perhaps the biggest obstacle to using strategic trade precepts as a guide to U.S. policy is the beggar-thy-neighbor dynamic inherent in the theory itself. A nation that uses market intervention to capture vital markets for its own high-tech industries can expect other nations to follow suit. Cycles of public intervention, matching moves, escalation, and retaliation would be endemic. Thus, a policy shift toward government intervention in strategic trade industries by the U.S. would be certain to generate new tensions among the major powers.

But what of the fear that the United States is being systematically left behind in high tech industries? This was a cause for widespread concern in the mid-1980s, as the positive U.S. trade balance in high-tech sectors was dropping precipitously, from \$25 billion in 1982 to \$16 billion in 1986—a 35 percent decline in four years. By the early 1990s, however, the U.S. trade balance in high tech had regained all these losses and was setting new highs. There is now no overarching evidence that the U.S. is being left behind to such an extent as to require strategic trade intervention on a scale that would pose a risk to the stability of the international system.

Managing Dependence on Foreign Firms and Sources for Key Goods

Globalization results in greater dependence on foreign suppliers. This raises the question of identifying the most appropriate methods to deal with growing reliance on non-U.S. suppliers of critical goods, services, and technologies.

Unfortunately, doing nothing is not a sufficient response. The evidence that dependence on non-national suppliers for critical goods, services, and technologies can pose a threat to national security is

clear. That threat may take the form of denial, delay of delivery, blackmail, or the placing of conditions on access or use. The U.S. has itself been a prime practitioner of the manipulation of dependence in the past. Today, others may be in a position to exercise similar influence over the U.S., and that influence is likely to increase as the globalization of international economic activity continues.

However, for a threat of denial, delay, blackmail, or the placement of limitations on access or use to be credible, a necessary condition is the concentration of external suppliers. Whether for oil, semiconductors, or flat panel displays, the fundamental issue that determines the dependence of the U.S. on any particular foreign source is the availability of alternative sources and the ease of substitution. This allows national security strategists to distinguish cases that are legitimately worrisome from those that are not, and helps target industries of concern for national security. But the public policy tools for allaying such concerns—stockpiling, providing trade protection, awarding public subsidies for domestic production—all have important drawbacks.

To deal with dependence in standardized products whose characteristics do not change over time, stockpiles can offer an important cushion to mitigate the onset of a crisis. For example, petroleum is one imported commodity that is both critical and sufficiently concentrated externally that supply interruptions are plausible; thus, the U.S. maintains a Strategic Petroleum Reserve. The disadvantages of this approach include its high cost and the tendency to maintain stockpiles after the rationale for them has disappeared, as in the case of U.S. stockpiles of magnesium, chromium, and other minerals in the post-Cold War world.

Stockpiling of foreign-supplied products whose characteristics change over time is less feasible. An alternative is providing formal or informal trade protection to local producers. This may, however, lock domestic purchasers into using inputs that are higher in price or technologically inferior to what is available from foreign sources. In the case of machine tools, for

example, "Buy American" requirements on defense contractors have forced the U.S. aerospace industry to use equipment that was more costly and had less precise tolerances than foreign-made products. In the case of semiconductors, price support mechanisms designed to help the U.S. semiconductor industry saddled U.S. avionics and computer companies with input costs much higher than those of their non-U.S. counterparts.

Public subsidies to create or strengthen local producers is another approach to dealing with dependency on concentrated foreign suppliers. From a strictly economic point of view, such subsidies are more appropriate than trade protection. Nevertheless, they raise nettling questions about how Washington should choose specific technologies to support, where to draw the line between precommercial development and commercial production, and how to reconcile such programs with commitments to bring government assistance under a common multilateral discipline. The new U.S. program to support domestic flat panel display producers, rather than forcing U.S. producers to rely on a handful of exporters abroad, may prove an interesting experiment.

An increasingly important question in the dependency debate is what to do about foreign acquisitions of U.S. companies in critical technology sectors. Once again, the crucial test is whether the international industry is sufficiently concentrated, and not, as is commonly supposed, whether the company to be acquired is the sole remaining domestic supplier (or one of a very small number). Once again, the logic is straightforward: no international concentration, no credible threat, and no reason to be concerned about the acquisition.

Difficulties arise when the international industry in which the U.S. company to be acquired is a rather tight oligopoly. Here, the national security strategist may have to face a choice of whether to block the acquisition and then perhaps to prop up an inferior domestic supplier, or to allow the acquisition to proceed, with ownership passing to the hands of foreigners who will then hold quasi-monopolistic control over access. In such circumstances, the emerging consensus is that,

for civilian companies, the preferable path may be to permit the acquisition to take place while imposing requirements on the new subsidiary to maintain production and R&D within the United States. For defense contractors, on the other hand, the calculus is different, as described in the next section.

Maintaining an Adequate Defense Industrial Base

Meeting the challenge of maintaining an adequate defense industrial base in an era of declining defense budgets is a vast subject. Three central issues arise: minimizing the loss of core capabilities; maximizing the ability to reconstitute when needed; and providing for the consolidation of defense contractors worldwide.

The adverse structural characteristics of defense contracting suggest that many firms may withdraw even more rapidly and more completely from the defense business in the coming decade than would be predicted by declining defense budgets alone. These adverse structural characteristics include large economies of scale and a high ratio of fixed to variable costs, which magnify the impact of shrinking production runs; a monopsonistic buyer whose purchasing procedures generate great risk and uncertainty for suppliers; a uniquely constrictive regulatory environment; and a tendency to yield relatively low profits. The consequent pressures for withdrawal from defense contracting will, if left unaddressed, exaggerate the loss of core capabilities and magnify the difficulties of reconstitution.

The most straightforward path to maintaining a relatively vibrant defense industrial base is to reduce the incentives for firms to exit, despite lower overall DoD expenditures, by reducing the cumbersome nature of defense contracting and facilitating the integration of civilian and defense operations within individual firms. The first step in this direction would be to eliminate barriers to incorporating civilian technology into defense products by minimizing military standards and specifications (MILSPECS) and by turning over more maintenance and repair contracts to the private sector. A second step might be to expand opportunities for multi-year procurement. A third option

is to institute specific reforms to shrink unusually burdensome defense contracting procedures in cost-accounting and auditing, enhance recoupment of R&D expenditures, grant contractors greater proprietary data and technical rights on publicly-funded research projects, and improve the progress payment system.

However, all of these measures may fall short of the goal of preserving sufficient core capabilities for reconstitution in an emergency. Some specialized kinds of know-how, facilities, and assets will have to be identified and supported directly.

Another issue is how to deal with the consolidation of defense-oriented suppliers into quasi-monopolistic industries. On the domestic side, the year 2000 is likely to find the U.S. with a single submarine-building facility, a single carrier-building facility, a single tank producer, and perhaps two builders of military aircraft. Under these circumstances, the challenge will be to ensure prices and rates of innovation comparable to those achieved under the more competitive conditions of the past. With regard to quasi-monopolistic foreign suppliers of defense products, the preceding section offers some guidelines. For some commodity-like products, stockpiling might be the least expensive method to guard against the risk of a cut-off. For non-commodity products, trade protection or subsidies to domestic suppliers are options, although the disadvantages of both approaches must be borne in mind.

A special case of the problem of dependence on quasi-monopolistic suppliers will arise in the course of cross-border mergers and acquisitions in which foreign corporations seek to acquire U.S. firms whose operations include defense contracting. An immediate consideration in any potential foreign acquisition of a defense contractor, of course, is the ability to safeguard confidential material. A second consideration is familiar from the previous section: how concentrated is the international industry of which the company targeted for acquisition is part? If the industry is not concentrated globally, the acquisition can be approved—assuming the safeguarding of confidential material is assured—

The Sea Wolf submarine is one weapons program kept alive partly in order to maintain the defense industrial base.



Source: Electric Boat Division, General Dynamics.

without fear of denial or blackmail. But if the industry is concentrated globally, what is the appropriate policy response?

Some observers argue that the imposition of requirements for R&D and production to remain in the United States is sufficient to protect U.S. interests. However, while such requirements might ensure that the U.S. will not be denied access to the acquired firm's products, they cannot guarantee U.S. government control over disposition of the defense products in question, especially as the acquired firm's know-how is dispersed throughout the foreign owner's international operations. The foreign owner might, for example, be free to make sales that conflicted with U.S. government directives or policies—to Iran, for instance. The only way to assure that the quasi-monopoly power of the acquired firm remained under U.S. jurisdiction would be for Washington to deny permission for the proposed foreign acquisition and, if necessary, to find a U.S. purchaser for the target firm or support it directly.

Using Economic Sanctions Effectively

The dispersion of control over goods, services, and technology among suppliers around the globe means that Washington's ability to coerce other states to abandon disruptive patterns of behavior is becoming more complex to organize and more difficult to achieve. Even in past decades, economic sanctions have had a mixed record of success. Since 1973, economic sanctions have achieved their specific goals in only about a quarter of the cases in which they have been deployed. When success is defined more broadly, in terms of exacting a significant economic cost or restraining undesirable behavior in general, their record improves somewhat.

Economic sanctions work best against small, economically dependent states. They are most likely to be effective if they are comprehensive, with multilateral support and strict enforcement. Further, sanctions are likely to be more effective against states that are sufficiently democratic for their

business communities to have some internal influence. They are generally less effective against authoritarian regimes and dictatorships, particularly highly personalized ones. In the case of South Africa in the 1980s, and Guatemala in 1993, domestic business groups transmitted the pain of sanctions into inner political circles. A difficulty with the cases of Iraq, Serbia, and potentially North Korea, in contrast, is that there are few such channels for translating economic hardship into policy changes. On the contrary, for many rogue regimes, economic sanctions may produce what has been called the "neutron bomb" effect—namely, destroying the soft targets in a nation's civilian economy while leaving the hard structures of the regime intact (or worse, enriching the leadership against whom the sanctions are directed).

Most sanctions regimes follow the path of gradual escalation—sanctions are threatened, tentatively or partially applied, expanded or strengthened as required—punctuated by demands for compliance at each stage. The advantages of this approach are, first, that it can facilitate the formation and maintenance of multilateral coalitions, which can only proceed at the pace of their most reluctant members. Second, slow application of sanctions may provide an opportunity to see if diplomacy can produce

better results than pressure. Third, the quick imposition of hard-hitting sanctions may provoke a spasmodic reaction on the part of the target state rather than a more rational act of submission—for example, an attack by North Korea on the South in response to sanctions, rather than a capitulation on nuclear reprocessing. A considerable disadvantage of this approach, however, is that the process typically takes place over such a long period of time that the target regime can adjust and black markets can be organized, while the costs to front line states wear down these states' appetites for maintaining the sanctions.

Frequently, the only effective alternative to sanctions is military force, an instrument that the market democracies are even more reluctant to wield. The national security strategist's dilemma, therefore, often consists of choosing between a flawed approach to sanctions or simply doing nothing. Thus, the use of sanctions to express displeasure and perhaps inflict pain is likely to continue even in absence of any realistic expectation that they will decisively alter another state's behavior.